261

No. 15072

United States
Court of Appeals
for the Ninth Circuit

PEGGY LOU RIKER and FREDA H. GRASSMEE,

Petitioners,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

Transcript of Record

Petition to Review a Decision of the Tax Court of the United States

FILED

JUL - 6 1956

PAUL P. O'BRIEN, CLERK

Phillips & Van Orden Co., 870 Brannan Street, San Francisco, Calif.—6-22-56

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[Clerk's Note: When deemed likely to be of an important nature, errors or doubtful matters appearing in the original certified record are printed literally in italic; and, likewise, cancelled matter appearing in the original certified record is printed and cancelled herein accordingly. When possible, an omission from the text is indicated by printing in italic the two words between which the omission seems to occur.]

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APPEARANCES

For Petitioner:

HOWARD B. CRITTENDEN, JR., ESQ.

For Respondent:

LEONARD L. MARCUSSEN, ESQ.;
T. M. MATHER, ESQ.;
ROBERT C. WHITLEY, ESQ.

In the Tax Court of the United States

Docket No. 46,978

PEGGY LOU RIKER,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

DOCKET ENTRIES

1953

Feb. 19—Petition received and filed. Taxpayer notified. Fee paid.

Feb. 19—Copy of Petition served on General Counsel.

Feb. 19—Request for Circuit hearing in San Francisco, filed by taxpayer. 3/11/53—Granted.

Apr. 16—Answer filed by General Counsel.

Apr. 20—Copy of answer served on taxpayer—San Francisco, Calif.

1954

Feb. 17—Hearing set May 24, 1954—San Francisco, Calif.

May 25—Hearing had before Judge Van Fossan on Petitioner's oral and written motions to continue, Granted, and on joint motion to consolidate Dockets 46,977 to 46,979, incl. —Granted. Order, proceeding continued generally on San Francisco calendar. Written motion for continuance, filed at hearing. Copy served on Respondent.

1954

June 15—Transcript of Hearing 5/25/54 filed.

July 13—Hearing set Nov. 1, 1954, San Francisco, Calif.

Oct. 25—Motion for leave to file amended petition, amended petition lodged, filed by taxpayer.

Oct. 26—Hearing set 11/1/54, San Francisco, Calif., on petitioner's motion of 10/25/54.

Oct. 26—Copy of motion, amended petition and notice of hearing served on General Counsel.

Nov. 2—Hearing had before Judge Tietjens on the merits. Order, Motion to amend petition; Granted. Amended petition filed; served. Answer to amended petition, filed at hearing; served simultaneous. Original briefs, 60 days. Reply, 30 days thereafter.

Nov. 9—Copy of motion and amended petition served on General Counsel.

Nov. 23—Transcript of hearing 11/2/54 filed.

1955

Jan. 3—Motion for extension to Feb. 2, 1955, to file brief, filed by General Counsel. 1/4/55—Granted.

Jan. 4—Motion for extension of 30 days to file brief filed by taxpayer. 1/6/55—Granted.

Jan. 28—Brief filed by General Counsel.

Feb. 7—Brief filed by taxpayer. Copy served.

Mar. 25—Reply Brief filed by taxpayer. Copy served.

1955

Apr. 14—Order that petitioner on or before May 25, 1955, file a proposed statement of facts in accordance with Rule 35(c) of the Rule of Practice, entered.

May 24—Motion for extension of time of 2 weeks to file statement of facts, filed by taxpayer. 5/25/55—Granted.

June 7—Statement of Fact filed by taxpayer. 6/8/55—Copy served.

Aug. 11—Memorandum findings of fact and opinion filed, Judge Tietjens. Decision will be entered under Rule 50. Copy served 8/11/55.

Nov. 7—Computation for entry of decision filed by Respondent.

Nov. 10—Hearing set 12/14/55, Washington, D.C., on Respondent's computation.

Dec. 14—Hearing had before Judge Arundell, on settlement. Ordered. Referred to Judge Tietjens.

Dec. 15—Decision entered, Judge Tietjens, Div. 1.

1956

Jan. 16—Petition for review by U. S. Court of Appeals for the Ninth Circuit filed by petitioner. Proof of service by mail attached.

Jan. 16—Designation of contents of Record on Review, with proof of service by mail thereon, filed by petitioner.

In the Tax Court of the United States
Docket No. 46,979

FREDA H. GRASSMEE,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

DOCKET ENTRIES

1953

Feb. 19—Petition received and filed. Taxpayer notified. Fee paid.

Feb. 19—Copy of petition served on General Counsel.

Feb. 19—Request for Circuit hearing in San Francisco, Calif., filed by taxpayer. 3/11/53—Granted.

Apr. 16—Answer filed by General Counsel.

Apr. 20—Copy of answer served on taxpayer, San Francisco, Calif.

1954

Feb. 17—Hearing set May 24, 1954, San Francisco, Calif.

May 25—Hearing had before Judge Van Fossan on petitioner's oral and written motions for continuance, granted; and on joint motion to consolidate Dockets 46,977 to 46,979, incl., granted. Order, proceeding continued generally on the San Francisco calendar. Written motion for continuance filed at hearing. Copy served on respondent.

1954

June 15—Transcript of Hearing 5/25/54 filed.

July 13—Hearing set Nov. 1, 1954, San Francisco, Calif.

Sept. 8—Motion for leave to file amendment to answer; amendent to answer lodged; filed by General Counsel. 9/9/54—Granted.

Sept. 10—Copy of motion and amendment to answer served on taxpayer.

Nov. 2—Hearing had before Judge Tietjens on the merits. Simultaneous. Original briefs, 60 days; Reply briefs, 30 days thereafter.

Nov. 23—Transcript of Hearing 11/2/55 filed.

1955

Jan. 3—Motion for extension to Feb. 2, 1955, to file brief, filed by General Counsel. 1/4/55—Granted.

Jan. 4—Motion for extension of 30 days to file brief by taxpayer. 1/6/55—Granted.

Jan. 28—Brief filed by General Counsel.

Feb. 7—Brief filed by Taxpayer. Copy served.

Mar. 25—Reply Brief filed by Taxpayer. Copy served.

Apr. 14—Order, that petitioner on or before May 25, 1955, file a proposed statement of facts in accordance with Rule 35(e) of the Rules of Practice, entered.

May 24—Motion for extension of time of 2 weeks to file statement of facts, filed by taxpayer. 5/25/55—Granted.

1955

June 7—Statement of Fact filed by taxpayer. 6/8/55—Copy served.

Aug. 11—Memorandum findings of fact and opinion filed. Judge Tietjens. Decision will be entered under Rule 50. Copy served 8/11/55.

Nov. 7—Computation for entry of decision filed by Respondent.

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Dec. 15—Decision entered, Judge Tietjens, Div. 1.

1956

Jan. 16—Petition for Review by U. S. Court of Appeals for the Ninth Circuit filed by petitioner. Proof of Service by Mail attached.

Jan. 16—Designation of Contents of Record on Review with proof of Service by Mail thereon, filed by petitioner.

[Title of Tax Court and Cause.]

Docket No. 46,979

PETITION

Now comes your petitioner, Freda H. Grassmee, and petitions the above-entitled Court for redetermination of tax by the respondent Commissioner, and for grounds shows:

I.

That by registered United States mail the Respondent Commissioner of Internal Revenue sent to your petitioner, Freda H. Grassmee, a letter dated November 25, 1952, together with a "statement," a copy of which is attached hereto marked "Exhibit A" and made a part hereof by reference, and incorporated herein as if herein set forth at length. That said letter by its terms undertakes to state that said Respondent Commissioner has determined your petitioner's income tax liability to be a deficiency of $176.53 and to assess the same as tax.

II.

That said $176.53 claimed deficiency for tax is claimed for personal income tax for the calendar years of 1948 and 1949; that your petitioner's returns for each of said years was duly and regularly filed with the Collector of Internal Revenue at San Francisco. That in said years your petitioner's residence was and is San Francisco, California. That the entire amount of said proposed and claimed deficiency of $176.53, with interest, is in dispute and the subject of controversy.

III.

That the Respondent Commissioner erred:

(1) In treating the gifts of Petitioner to Christ's Church of the Golden Rule, for religious purposes exclusively, as not a proper deduction in either the years 1948 or 1949, in any sum at all.

IV.

That the statement of facts upon which Petitioner relies are:

(1) That at all times herein mentioned, and during the entire calendar years of 1948 and 1949 Christ's Church of the Golden Rule was and is a church and religious society and its principal temporal agency under its Church Constitution and Canon Laws was the Elected Delegates Committee of the Ecclesiastical Society of Christ's Church of the Golden Rule. That attached hereto marked Exhibit B and incorporated herein by reference is said Church Constitution and Canon Laws then and now in effect. That said Committee was and is the temporal agency of said Church and religious society, and held all property under said Church Constitution and Canon Laws under a trust therefor for use exclusively for religious purposes; and no part of the income inured to the benefit of any person, individual nor private shareholder (there being no shareholders of any kind) and no part of its funds or property could be used for carrying on propaganda or otherwise attempting to influence legislation. That said Church and its said temporal agency was and is organized solely and exclusively for said religious purposes and are organizations within the provisions of Section 101, subdivision 6, Internal Revenue Code.

(2) That in each of said calendar years, petitioner gave all her earnings from her employment to said Church for religious purposes by express

donations to said temporal agency for religious purposes only.

Wherefore your petitioner, Freda H. Grassmee, prays that the above-entitled Court set the above matter for hearing in the City and County of San Francisco, State of California, that a trial be had thereon in said City, that a redetermination be had upon said proposed deficiency and said assessment, that said Church and its said temporal agency be held to be an organization within Sec. 101, subdivision 6, during the calendar years of 1948 and 1949, that 15% of your petitioner's personal earnings be allowed as a proper deduction, and gifts to that extent in each calendar year be allowed as proper deductions as gifts to religious purposes, and for such other and further or other or further relief, decrees, judgments and or orders as shall be just and equitable in the premises.

/s/ HOWARD B. CRITTENDEN, JR.,
Attorney for Petitioner.

Duly verified.

Received and filed February 19, 1953, T.C.U.S.

Served February 19, 1953.

[Title of Tax Court and Cause.]

Docket No. 46979

ANSWER

Comes now the Commissioner of Internal Revenue, respondent above named, by his attorney,

Charles W. Davis, Chief Counsel, Bureau of Internal Revenue, and for answer to the petition filed by the above-named petitioner, admits and denies as follows:

I.

Admits the allegations contained in paragraph I except denies that the deficiency has been assessed.

II.

Admits the allegations contained in paragraph II except denies that petitioner's returns for each of said years were duly and regularly filed.

III.

Denies the allegations of error contained in paragraph III of the petition.

IV.

(1) and (2.) Denies the allegations contained in subparagraphs (1) and (2) of paragraph IV of the petition.

V.

Denies generally and specifically each and every allegation contained in the petition not hereinbefore admitted, qualified or denied.

Wherefore, it is prayed that the Commissioner's determination be approved and that the petitioner's appeal be denied.

/s/ CHARLES W. DAVIS,
Chief Counsel, Bureau of
Internal Revenue.

Of Counsel:

B. H. NEBLETT,
District Counsel;

T. M. MATHER,

LEONARD ALLEN MARCUSSEN,
Special Attorneys, Bureau of Internal Revenue.

Filed April 16, 1953, T.C.U.S.

[Title of Tax Court and Cause.]

Docket No. 46978

PETITION

Now comes your petitioner, Peggy Lou Riker, and petitions the above-entitled Court to redetermine the alleged assessment and claimed determination of tax by the Respondent Commissioner against your petitioner, and for grounds shows:

I.

That the Respondent Commissioner by letter dated November 25, 1952, sent by United States registered mail to your petitioner Peggy Lou Riker advising your petitioner that tax in the sum of $1,584.03 was being assessed and was determined as a deficiency against your petitioner. That a copy of

said letter together with attached "statement" is attached hereto marked "Exhibit A" and incorporated herein by reference.

II.

That the said $1,584.03 is claimed as deficiency and assessed for the year 1948, ending September 30, 1948, for personal income taxes of your petitioner. That said return was duly and regularly filed with the Collector at San Francisco, California. That the amount of tax in controversy is $420.

III.

That the Commissioner erred:

(1) In refusing your petitioner any deductions for gifts made to Christ's Church of The Golden Rule, an exempt organization under Sec. 101(6) in any sum or at all.

(2) That income of petitioner from all sources during said accounting period was the sum of $8,595.11 and not $9,713.89.

(3) That the Commissioner disallowed the expense of $168.61 for property and sales tax as a proper deduction.

IV.

That the facts upon which your petitioner rely are:

(1) That during the entire period of time involved in the return, and during 1948 and at all

times herein mentioned Christ's Church of The Golden Rule was and is a Church and religious society and its principal temporal agency was and is the Elected Delegates Committee of the Ecclesiastical Society of Christ's Church The Golde Rule, which committee held all money and property in trust and was organized to act for the ecclesiastical organization for religious purposes pursuant to the Church Constitution and Canon Laws, a copy of which is attached hereto marked Exhibit B and incorporated herein by reference. That said Church is and was an exempt organization and within the provisions of Section 101(6) and all money and property were and are held for religious purposes only and no part inures nor inured to the benefit of any person, individual or private shareholder, now was nor is any part used or usable for propaganda or to otherwise influence legislation.

(2) That your petitioner made gifts of her income during the period covered by her return, to wit the taxable year ending September 30, 1948, in the sum of $8,959.11 to said Church for religious purposes only under said Church Constitution and Canon Laws, to said Church's said temporal agency, the said Elected Delegates Committee of the Ecclesiastical Society of Christ's Church of The Golden Rule.

(3) That your petitioner's total income during said period was $8,959.11 and no more, and not the sum of $9,713.89.

(4) That your petitioner expended during said year, the sum of $168.61 as and for property and sales taxes which are a proper deduction in computing income for tax purposes.

Wherefore your petitioner Peggy Lou Riker prays that the above-entitled Court redetermine the deficiency assessed and determined against her as aforesaid; that a trial be had thereon in the City & County of San Francisco; that the donations to said Church be properly allowed as deductions for religous purposes, that said property and sales taxes be allowed as proper deductions, and that the Court determine her income not to exceed the said sum of $8,959.11 as aforesaid; and for such other and further or other or further relief, decrees and/or judgments as shall be just and equitable in the premises.

/s/ HOWARD B. CRITTENDEN, JR.,
Attorney for Petitioner.

Duly Verified.

EXHIBIT A

Form 1230-A (1951)
Internal Revenue Service
IRA:90-D:HM

U. S. Treasury Department
Office of Internal Revenue Agent in Charge
74 New Montgomery Street
San Francisco 5, California

Nov. 25, 1952.

Mrs. Peggy Lou Riker,
Post Office Box 3652 Rincon Annex,
San Francisco 19, California.

Dear Mrs. Riker:

You are advised that the determination of your income tax liability for the taxable year(s) ended December 31, 1948, discloses a deficiency of $1,584.03 as shown in the statement attached.

In accordance with the provisions of existing internal revenue laws, notice is hereby given of the deficiency or deficiencies mentioned.

Within 90 days from the date of the mailing of this letter you may file a petition with The Tax Court of the United States, at its principal address, Washington 4, D. C., for a redetermination of the deficiency. In counting the 90 days you may not exclude any day unless the 90th day is a Saturday, Sunday, or legal holiday in the District of Columbia, in which event that day is not counted as the 90th day. Otherwise Saturdays, Sundays and legal

holidays are to be counted in computing the 90-day period.

Should you not desire to file a petition, you are requested to execute the enclosed form and forward it to this office for the attention of IRA:90-D. The signing and filing of this form will expedite the closing of your return(s) by permitting an early assessment of the deficiency or deficiencies, and will prevent the accumulation of interest, since the interest period terminates 30 days after receipt of the form, or on the date of assessment, or on the date of payment, whichever is earlier.

Very truly yours,

JOHN S. GRAHAM,
Acting Commissioner.

By HENRY J. BRU,
Acting Internal Revenue
Agent in Charge.

Enclosures:
Statement,
Form 1276,
Agreement Form.

Statement

San Francisco
IRA:90-D:HM

Mrs. Peggy Lou Riker
Post Office Box 3652 Rincon Annex
San Francisco 19, California

Tax Liability for the Taxable Year Ended
December 31, 1948

	Deficiency
Income Tax	$ 1,584.03

In making this determination of your income tax liability, it is noted that you did not avail yourself of the privilege of filing a protest.

A copy of this letter and statement has been mailed to your representative, Mr. Howard B. Crittenden, Jr., Central Tower, 703 Market Street, San Francisco 3, California, in accordance with the authority contained in the power of attorney executed by you and on file in this office.

Adjustments to Net Income

Net income as disclosed by return		$ 586.17
Unallowable deductions and additional income:		
(a) Contributions	$ 8,959.11	
(b) Taxes	168.61	9,127.72
Adjusted gross income as corrected		$ 9,713.89
Less:		
(c) Standard deduction		971.39
Net income as adjusted		$ 8,742.50

Explanation of Adjustments

(a) It is held that contributions in the amount of $8,959.11 made to Christ's Church of the Golden Rule are not allowable deductions in computing your taxable net income.

(b) Due to the fact that the standard deduction has been allowed, the deduction claimed for taxes in the amount of $168.61 has been included in computing your adjusted gross income.

(c) The standard deduction of $971.39 is allowed representing 10% of $9,713.89, your adjusted gross income as corrected.

Computation of Income Tax

Net income	$ 8,742.50	
Less 2 exemptions at $600.00 each	1,200.00	
Normal tax and surtax net income	$ 7,542.50	
Tentative tax		$ 1,822.76
Less: 17% on $ 400.00	$ 68.00	
12% on $1,422.76	170.73	238.73
Correct income tax liability		$ 1,584.03
Income tax disclosed by return Original, Account No. 7832608 First California District		0.00
Deficiency in income tax		$ 1,584.03

EXHIBIT B

Certified Copy

Constitution of
Christ's Church of The Golden Rule

We, the members of the ecclesiastical society of Christ's Church of The Golden Rule, do hereby ordain and establish this Constitution for the Church.

Article I.

Declaration of Faith

We deem it proper to state herein some of the basic doctrines and principles upon which Christ's Church of The Golden Rule is founded, and the following declaration expresses, substantially, what we believe:

1. Of The True God:

We believe that there is but one living and true Father-Mother God; omnipotent, omniscient, and omnipresent; the Creator and Preserver of all things both visible and invisible; the Supreme Ruler of the Universe, wholly worthy of honor, confidence and love—in whom we live, move, and have our being.

2. Of Christ Jesus:

We believe that Jesus of Nazareth was inexpressibly wise, gentle and holy; that he came to earth to reveal God to all men, and to exemplify by his

actions and teachings all of the virtues and goodness of a perfect man; that by his life, crucifixion, death, resurrection and ascension he became the Way-shower to all who believe in his teachings; but that the Christ (Truth) existed even before Abraham was, and has always been co-existent with God * * * the man Jesus we believe to have been the highest exemplification of the Christ (Truth) to have evolved from the race of men—hence our acceptance of him as our Way-shower.

3. Of the Holy Scriptures:

We believe that the original basic teachings of the Holy Bible were written by men moved by the Mind or Spirit that is God; that it contains all directions necessary to salvation; that it reveals the principles by which we shall live and be judged; that it is, and will forever remain the basis of Christian fellowship and the most perfect standard by which human conduct shall be tried.

4. Of Salvation Through Repentance and Regeneration:

We believe that to be saved from the consequences of any kind of wrong doing, we must truly repent thereof and correct our errors; that to be regenerated we must respond freely to the influence and power of the Mind that is God—the Mind that was in Christ Jesus; and that the evidence of regeneration shall appear as a more Christ-like life.

5. Of True Religion:

We believe that the essence of true religion is to learn to love God with all of one's heart and the art of doing unto others as we would have others do unto us; that we must serve, rather than be served; that the strong must help the so-called weak, so that none may suffer; and that in all things we should seek the perfect will of God, and the good of all men.

6. Of the Economy of the Church:

We believe that economic equality is the only enduring foundation upon which to build industrial, business, political, national and international relationships; and that to insure such equality the property and earnings of the individual members of the Church should be owned and managed by the Church for the benefit of all mankind in accordance with the rules and regulations of the ecclesiastical society of this Church, that God may be glorified and all mankind directly or indirectly benefited.

Article II.

Church Organization

There is hereby created an organization for matters ecclesiastical, which shall have power: to adopt, modify and interpret the creeds, activities, doctrines and teachings of the Church; to establish, amend and interpret the canon law of the Church; to create, appoint, discipline and, if necessary, remove officers of the Church and its various affiliates and agencies; to test, pass upon, select and discipline

members of the various classes, associates, co-workers and affiliates of the Church, to determine the various classes of membership, associates, co-workers and affiliates of the Church; to provide for ordination and select those qualified for ordination; to provide for the sacraments and determine who shall give and who shall take the sacraments; to establish ecclesiastical courts, and define the jurisdiction and powers thereof; to appoint the members of such courts and provide for their procedure, and for the review and carrying out of the judgments and sentences thereof; and to do any and all other things deemed necessary and proper for carrying on the ecclesiastical work of the Church.

Article III.

The Senior Elder

There is hereby created the office of Senior Elder of Christ's Church of The Golden Rule.

The Senior Elder, during his tenure of office, shall be the Ecclesiastical Head of the Church, and, except as otherwise provided in this constitution, shall have and exercise all of the powers pertaining to the ecclesiastical government of the Church, not specifically granted to some other agency, officer, or committee, as provided in Article II; and the Senior Elder shall also have power to supervise and veto the acts of any other ecclesiastical officer, agency, or committee of the Church.

The Senior Elder shall be elected by the duly chosen representatives of the several student min-

ister training projects of the Church, at a convention of such representatives called for that purpose. He shall hold office until his successor is elected or appointed by a convention called to select another Senior Elder. Such convention may be called by the Senior Elder, or by a majority of the said Project Managers, or by a majority of delegates selected for that purpose by the members of the several projects.

Article IV.

The Advisory Board of Elders

1. There is hereby created an Advisory Board of Elders of Christ's Church of The Golden Rule.

2. The Advisory Board shall be composed of five ecclesiastical members of the Church who, in the first instance, shall be elected by the Convention; two of said members shall be elected for terms of three years, two for terms of two years, and one for a term of one year; and thereafter, at the expiration of a term, a successor shall be elected by the remaining members of the Board for a term of three years, and if a vacancy occur for reason other than expiration of a term the remaining members of the Board shall elect a successor for the unexpired term. Any person elected to membership on the Board shall serve only if confirmed by the Senior Elder, and if not confirmed by the Senior Elder the Board shall elect another person who is satisfactory to the Senior Elder.

3. Subject to the written consent of the Senior Elder, the Advisory Board, by a majority vote of

its members, may enact, establish, amend, or repeal the provisions of any of the canon laws, creeds and doctrines of the Church; and, subject to the written consent of the Senior Elder, the Advisory Board, by a majority vote of its members, may create, appoint, discipline, or remove officers of the Church, determine the various classes of membership, associates, co-workers, and affiliates of the ecclesiastical organization, provide for and appoint committees for the examination of applicants for the several classes of membership, associates, co-workers, and affiliates, and prescribe standards therefor; select persons for ordination, and persons to give the sacraments.

4. Subject to the written consent of the Senior Elder, the Advisory Board, by a majority vote of its members, may establish ecclesiastical courts and define the jurisdiction thereof, appoint the members of such courts, establish the procedure thereof for the trial of matters and persons within its jurisdiction, and for the review and carrying out of the judgments and sentences of the courts.

5. The Senior Elder shall have and exercise, when he deems it advisable or necessary, the power to review, modify, or reverse the judgment or sentence of any ecclesiastical court, and to reprieve or pardon any person convicted by such court.

Article V.

The College of Pastors

1. There is hereby created a College of Pastors of Christ's Church of The Golden Rule.

2. The College of Pastors shall be composed of the pastors of the various projects, congregations, and groups of the Church, and shall convene upon call of the Senior Elder. The College of Pastors shall act by a majority vote of a quorum; and half of the members of the College shall constitute a quorum.

3. The College of Pastors shall have such powers and perform such duties as may be prescribed by the Senior Elder in writing.

Article VI.

Temporal Agencies

1. The temporal agencies of the Church shall be under and subject to the control of the ecclesiastical authorities of Christ's Church of The Golden Rule.

2. The temporal agencies of the Church, while subject to ultimate control by the ecclesiastical authorities, shall, insofar as may be practicable, be kept separate from the ecclesiastical agencies of the Church.

3. The officers, agents and members of the temporal agencies of the Church shall possess such ecclesiastical or other qualifications and be subject to such discipline and supervision as may be prescribed by the ecclesiastical organization of the Church, or by its canon laws.

4. The Senior Elder, with the advice of the Advisory Board, shall grant charters to the various congregations, projects and other temporal activi-

ties upon such terms, conditions and reservations as shall be determined by him. Any violation of such terms, conditions, or reservations, or of the canon laws of the Church shall, if clearly shown—in accordance with his sole discretion—justify the Senior Elder in the suspension of such charter; or such charter, after hearing, may be declared forfeited by the judgment of an ecclesiastical court of the Church.

5. If any charter is suspended, or forfeited, as herein provided, or if the Advisory Board or the Senior Elder shall find that any property of a chartered agency of the Church is not being handled or used according to the religious dedication thereof, then the powers and duties of such chartered agency, together with the property under its control, shall be transferred to, and shall be held and administered by, another temporal agency of the Church as in the canon laws provided and, if the canon laws do not so provide, then to such temporal agency of the Church as the Senior Elder may designate in writing.

6. The ownership, right of possession and interests in property, as referred to in paragraph 5 of this Article, shall be determined by the ecclesiastical courts of the Church whose judgment in respect thereto shall be final.

7. If any temporal agency of the Church shall have title to or possession of any property of the Church, such agency shall hold such property in

trust for the benfit of the ecclessiastical society of this Church; and the income therefrom shall belong to the ecclesiastical society of this Church; and it shall be used exclusively for carrying on the ecclesiastical work of the Church in accordance with the rules and regulations of the ecclesiastical society of the Church and shall be payable to the Church upon the order of the Senior Elder or Advisory Board.

Article VII.

Settlement of Controversies

1. It is hereby declared to be the policy of Christ's Church of The Golden Rule that the members, associates, co-workers, affiliates, congregation, projects and other agencies of the Church shall not engage in controversies, civil litigation, or other unseemly conduct in respect to property or other rights; but that all disputes, disagreements and controversies relating thereto, of every kind whatsoever, shall be determined and settled in accordance with the canon laws and by the ecclesiastical courts of the Church.

2. Christ's Church of The Golden Rule recognizes the necessity for and gives cheerful adherence to civil government, its laws, courts and institutions; it holds and ordains, however, that its members, associates, co-workers, affiliates, congregations, projects and other agencies shall not become involved in civil litigation, but instead shall be governed by the canon laws and other laws, rules, and regula-

tions of the Church as interpreted, followed and enforced by its ecclesiastical courts.

3. If any controversy, dispute, or disagreement shall arise between any members, associates, co-workers, affiliates, congregation, projects, or other agencies of the Church, or any of them, which cannot be settled by the parties involved therein, recourse shall be had to the authorities of the Church including, as a last resort, the ecclesiastical courts thereof, whose judgment shall be final.

4. The willful violation of any of the provisions of paragraphs 1, 2, and 3 of this Article shall subject the violator, if a member, associate, co-worker, or affiliate of the Church to suspension and, if pursued, to excommunication; and if the violator is a congregation, project, or other agency of the Church, it may be abolished or its rights, privileges, duties and powers may be transferred by the Senior Elder to another agency of the Church.

Article VIII.

Amendments

Amendments of this constitution may be proposed by the Advisory Board, or by the Senior Elder, but shall not be effective until ratified by a two-thirds vote of the managers of the several student minister training projects of the Church.

Article IX.

Convention

The Church convention shall have full power to amend this constitution, any canon law, doctrine or

ecclesiastical ruling by a majority vote of a quorum of the convention proposing such amendment or change and duly ratified by a majority of the ecclesiastical members of the Church society. The Senior Elder's office may be declared vacant or filled, or any other Church official's office declared vacant, with or without cause, or vacany filled by a majority vote of a quorum of the convention ratified by a majority of such ecclesiastical members.

The convention shall convene upon call of the Ecclesiastical Head or Acting Ecclesiastical Head or upon written demand of 25% of the ecclesiastical members of the Church. The convention shall consist of elected delegates, elected by a majority of the ecclesiastical members of the Church at each group or congregation. There shall be one elected delegate for each twenty (20) adult* persons or major fraction thereof, but there shall be at least one from each student minister training group and church congregation, even though it have less than 10 adults. A majority of elected delegates shall constitute a quorum. The Convention shall be the sole and exclusive judge of the qualification and credentials of its members.

Canon Laws of
Christ's Church of The Golden Rule

Canon Law No. 1—Official Tenet.

The King James version of the Holy Bible as it is construed, taught and interpreted from time to

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*15 years of age and older.

time by the duly constituted officials and officers of the ecclesiastical society of the Church, is hereby declared to be the law governing the ecclesiastical matters and conduct of the parties under these canon laws.

Canon Law No. 2—Purposes.

In accordance with the rules of procedure approved in writing by the duly constituted ecclesiastical government of the Church, it shall be the purpose of the religious society to teach and promote the spiritual and religious welfare of mankind and particularly to promulgate the teachings of Christ Jesus as found in the King James version of the Holy Bible, most particularly the economic teachings of Christ Jesus, and to this end to maintain and carry on churches; to teach those things that in the opinion of said Church Government will tend to forever end the causes and evils of war, poverty, illiteracy, superstition, greed, brutality, hate, selfishness, man's inhumanity to man and his subjection to the blind so-called forces of nature and materiality; to teach such subjects as will encourage mankind to adopt Christ Jesus' "Golden Rule" of absolute "economic" equality as the cornerstone of a world-wide and universally accepted system of all individual, industrial, business, political, national and international relationships; to teach that men should worship and glorify "God," not other men whom they set up on thrones and literally worship and glorify as they would an "idol," until such men become their masters with the power of life or

death in their hands, as though "they" were God Himself, or as though mankind were slaves who lived only to do the bidding of these idolatrously worshipped pigmy gods of wrath, greed and hate: to teach that there is but "one" God—omniscient, and omnipresent Life, Truth, and "Love"—who lovingly cares and provides for all of His children impartially and "equally" from His limitless and inexhaustible universe; to teach that because of the infinite affluence of our Creator—the vastness and infinitely abundant substance of His universe—greed, selfishness, economic competition, poverty, jealousy, hate and war are but manifestations of moral idiocy—expressions of ignorance, superstition and stupidity.

In accordance with the rules of procedure approved in writing by the duly constituted ecclesiastical government of the Church, to teach and promote the spiritual, moral and financial welfare of all mankind by the practical application of Christianity; to teach and give instruction in the general science of law and nature by means of any practical educational methods, and to teach and exemplify by any practical means, with any or all suitable means or agencies the practical application of Christianity; to teach and exemplify the use of money or credit in any and all of its economic functions, and generally to teach and exemplify worthy and righteous business methods and scientific ways of procedure based upon Christ Jesus' "Golden Rule" of absolute and impartial universal economic equality.

Temporal Affairs

Canon Law No. 3—Secular and Temporal Administration.

Insofar as practical, there shall be maintained a complete separation of all matters ecclesiastical and all matters secular and temporal. Matters secular and temporal shall be handled by the various temporal agencies of the ecclesiastical society, or its various subdivisions, activities or congregations or projects. The ecclesiastical matters shall be all important, and the secular and temporal matters shall be wholly subservient to and for the purpose of aiding, assisting and carrying out the ecclesiastical matters. All temporal agencies shall hold their property upon a private trust for the ecclesiastical organization; and the temporal agent shall act as such only with the consent and direction of the ecclesiastical organization, and upon the termination of any such temporal agent's authority or limitation of its scope by the ecclesiastical Church Government, its scope and authority shall forthwith be limited accordingly except to convey titles or property to its successor as named by the Church Government.-Determination of ecclesiastical matters by the duly constituted authorities of the Church shall be conclusive and binding upon the temporal agencies, even though such ecclesiastical matters directly or indirectly or incidentally affects matters of property, or property rights or authority of any temporal agency or of any officer, agent or member of such agency.

Canon Law No. 4—Granting and Revocation of Charters.

Each project, congregation, temporal agency, society and group within the religious society shall, as a condition of its authority and right to be a part of the religious society, hold a charter from the ecclesiastical Church Government. Such charter shall provide in addition to such other provisions as the Church Government may designate, a provision that the charter is held pursuant to the church constitution and canon laws, and is revocable upon violation of any of the canon laws. Such charter shall be granted, withheld or revoked upon whatever terms and conditions the Church Government may designate. Departing from the religious purposes as defined by the duly constituted Church Government or any schism, shall be grounds for termination of the charter by either the Ecclesiastical Head or by the judgment or decision of the Church Judiciary.

Upon revocation or suspension of a charter, all property of the project, congregation, temporal agency, society or group shall forthwith be delivered to the person or persons designated by the Church Judiciary, and pending action by the Church Judiciary, to whomever the Church Government shall designate.

Canon Law No. 5—Definition of Temporal Agency.

"Temporal Agency" as used in these canon laws means any person, natural or artificial, or group or

entity who acts in any way in matters temporal or secular for the ecclesiastical Church Government or religious society or any part thereof or any project, congregation or activity of the Church or who holds any property subject to any religious trust or use or purpose under the doctrines, teachings or beliefs of the religious society or ecclesiastical Church Government.

Canon Law—No. 6—Powers of Temporal Agency.

Nothing in these canon laws shall prevent, hinder nor be construed to prevent or hinder any temporal agency under these canon laws from changing the form of any property subject to the religious purposes as defined and construed by the ecclesiastical Church Government. Such temporal agency shall have power to sell, lease, hypothecate and/or alienate such property so long as the proceeds therefrom shall be thereafter used for such religious purposes, or reinvested for such use for such religious purposes. To avoid loss of property by the transfer of such property for substantially less than its market value, or to otherwise lose property for such religious purposes, the Ecclesiastical Head of the Church Government shall be consulted as to any contemplated sale, lease, hypothecation or alienation of any substantial asset or property in excess of $10,000.00 value, and if he determines that such sale or transfer, lease, hypothecation or alienation is, in his discretion, not calculated to lose or reduce the value of the property subject to such religious

purposes by such contemplated sale, lease, transfer, hypothecation or alienation, and that such transaction will tend to carry out such religious purposes, he shall consent thereto. Failure of any official or person connected with such temporal agency under these canon laws to first consult with said Ecclesiastical Head of the Church Government before making such transaction or to abide by the decision of said Ecclessiastical Head, or the judgment of the Church Judiciary, if its jurisdiction has been invoked and such judgment is not in accord with the decision of said Ecclesiastical Head, shall be grounds for discipline before the Church Judiciary.

Canon Law No. 7—Suspension of Temporal Powers.

Should any temporal agency of the Church organization do or suffer to be done anything which might materially impair the ability of such temporal agency to perform any of its duties or that might materially impair the use of any substantial part of the property held by the temporal agency for religious purposes as defined and determined by the ecclesiastical Church Government, then it shall be the duty of the Ecclesiastical Head of the Church Government or of the Advisory Board or of the Church Judiciary upon its own motion, to forthwith suspend the powers of such temporal agency. Immediately upon such suspension, the Church Judiciary shall, with or without notice, designate a temporary agency or person, under the canon laws to

take possession of all of the property held by the temporal agency and to use the same for such religious purposes under the direction and control of the Church Judiciary. Possession and all powers of such temporal agency shall forthwith pass to such agency or person temporarily designated by the Church Judiciary, pending the final determination and decision and judgment of the Church Judiciary. The Church Judiciary shall cause proceedings to be instituted before it, notice given to all interested persons, and if the Church Judiciary shall determine thereafter upon notice and after a hearing or opportunity to be heard, that such temporal agency has done or suffered to be done or was about to do or suffer to be done anything which might materially impair the ability of the temporal agency to perform any of its duties prescribed by the Church Government or materially impair the religious use of any substantial part of any of its property, it shall be the duty of the Church Judiciary to terminate all power, right, and authority of the temporal agency as of the suspension or commencement of the proceedings if there were no suspension, and to designate the proper person or agency for the performance of such duties of such temporal agency and its successor.

Canon Law No. 8—Terms of Conveyance and Administration of Assets.

All property acquired by the Church, or any congregation, project, ecclesiastical society or any part thereof, or any temporal agency shall be used and

held exclusively for the religious purposes as defined and interpreted by the ecclesiastical Church Government. This shall apply to all property howsoever acquired, of whatever kind and nature, and wheresoever situated, and whether personal or real or otherwise, and whether tangible or intangible. All transfers, conveyances and sales shall be presumed to be bona fide gifts to the Lord's work unless there be conditions or understandings or promises to the contrary in writing duly approved in writing by the duly constituted ecclesiastical Church Government. The consent in writing shall not be given unless the ecclesiastical official, exercising such discretion, determines such conditions or understandings or promises will tend to carry out the said religious purposes of the ecclesiastical Church Government, and such conditions, understandings and/or promises are necessary to carry out such religious purposes. The consent thereto shall be withheld if the Ecclesiastical Head shall, in his absolute discretion, determine such conditions, understandings and/or promises are likely to unduly impair the religious purposes or subject other property, subject to religious purposes, to undue risk or hazard.

It shall be the policy of the ecclesiastical Church Government and of all officials and persons connected with temporal agencies to encourage gifts of real property to be subject to a condition, or right of re-entry for condition broken, that should such donated real property be used for other than reli-

gious purposes, as defined and interpreted by the ecclesiastical Church Government, such donated property shall revert to the donor thereof.

Canon Law No. 9—Contracts and Agreements (Regarding Maintenance and Support).

No gift or transfer of property shall ever be accepted by any temporal agency as a condition of or as consideration for any care, maintenance or support of the donor or of any particular individual or group of individuals. No temporal agency shall make any contract for the support, maintenance, education, housing or rooming of any person for any period of longer than one calendar month. Nothing herein contained shall prevent any temporal agency from conducting any school, college, dormitory, hotel or restaurant, and making the usual contracts customary in the area in which such activity is undertaken by other religious organizations or groups in the carrying out of religious purposes.

The purpose of this canon law is to prevent any so-called gifts or transfers of property being made by any person under so-called "life care" contracts, or for any person to make a gift expecting the gift not to be used for religious purposes, but to be used for the support, maintenance or care of the donor or any particular person or persons.

Canon Law No. 10—Regulations Governing Church Assets.

No part of the income of any property, money or property right, of whatsoever kind or nature and

wheresoever situated, shall ever inure to the personal profit or benefit of any person or persons, shareholder or certificate holders; but all income of any group, temporal agency, project, congregation, and society or any part thereof shall always be used for the religious purposes of this Church as defined and construed by the ecclesiastical Church Government. No amendment to these canon laws, and no instrument under which any gift, conveyance or transfer is made shall ever permit any person or persons, or shareholder or shareholders to ever have any proprietary rights in the income of any such group, agency or society. No temporal agency shall ever issue any stock or certificate for the payment of any income to inure to the benefit of any individual or stockholder.

Canon Law No. II—Regulations Prohibiting Use of Church Assets for Propaganda (or Influencing Legislation).

No property held or acquired by any temporal agency, or for any religious purposes of the ecclesiastical society or any part thereof, project, congregation, group or society of the Church shall ever be used for influencing legislation or for propaganda; and no amendment to these canon laws shall permit any such property, income or proceeds to be ever used to influence legislation or for propaganda. No gift, conveyance, acquisition or other instrument under which property may at any time in the future be acquired by any temporal agency, or held, shall permit such use of any part of such

money, property or property right, for such prohibited purposes.

Canon Law No. 12—Regulations Governing Use of Facilities and Income, and Apostolic Mode of Living.

It being a doctrine of the ecclesiastical Church Government that no person shall profit from the Lord's purse, nor that any person shall profit nor commercialize nor financially benefit from the property subject to the religious trust under these canon laws nor under the control or direction of any temporal agency under these canon laws, and it being the intention of the ecclesiastical Church Government that only those who are genuinely interested in the Christian crusade and ministry of the Church shall be assisted to carry on this crusade and ministry, it is directed:

(1) No salaries, wages or other compensation shall be paid those persons under these canon laws in their work, studies or efforts in carrying out the religious purposes of the religious society except as in Canon Law No. 19 provided. Costs, expenses of living, travel, personal expenses and obligations or other sums as may be justified in the discretion of the Church Government may be advanced or reimbursed to any person under these canon laws, if the Church official exercising such discretion determines such sum or sums to be necessary and it will carry out such religious purposes.

(2) As the material needs of the various persons

and their families and dependents must of necessity be met to permit these persons to dedicate their work, services, and studies to carry out the religious purposes of the ecclesiastical society, the religious apostolic society form of living is selected as the means to accomplish these results in accordance with the doctrines, teachings and principles of the ecclesiastical Church Government.

(3) There shall be a common community treasury for the conduct of the religious apostolic society form of living; and the ecclesiastical Church Government shall designate the temporal agency to act as such treasury, and the use to which its funds shall be put in such illustration of its religious teachings.

(4) The ecclesiastical Church Government shall determine how much is necessary for the common community treasury to carry out the religious purposes through the apostolic society form of living.

Thereafter the various temporal agencies under these canon laws are authorized to make available such money or property as a religious purpose, up to the amount of the sum or property or both determined by the ecclesiastical Church Government as necessary for the conduct of the said religious apostolic society.

(5) From among the facilities owned, controlled or subject to the use of the various temporal agencies under these canon laws, the ecclesiastical

Church Government shall designate those that may be used as parsonages for those engaged in the ministry of the religious society, those that may be used as seminaries for the religious studies of the religious society, and those that may be used as living quarters for others engaged in the various religious activities of the religious society. The temporal agency, having such property subject to its control or direction, is authorized to use such property so designated for such parsonage, seminary and/or living accommodations as a religious use under these canon laws.

(6) Such money and property subject to these religious uses, as the ecclesiastical Church Government may designate therefor may be used for benevolences; and thereafter the various temporal agencies having or controlling such money or property are authorized to use it for such benevolences as a religious purpose.

(7) The ecclesiastical Church Government may designate such person or persons, or group or class of persons, from time to time, whether such person or persons be ecclesiastical members or not, and irrespective of such person or persons religious beliefs or membership in any religious society or church, as proper subjects or persons to be fed, lodged, and/or supported by any temporal agency during the pleasure or will of such temporal agency as a charitable or helpful act in illustrating and teaching the purposes of the Church. Thereupon any temporal agency is authorized to use money or

property under its control for such purpose as a religious purpose hereunder. The apostolic form of living may be extended hereunder to such person or persons, if the ecclesiastical Church Government so designates.

Canon Law No. 13—Regulations Governing Accounting and Membership Lists.

It shall be the duty of any temporal agency to account to the ecclesiastical Church Government for all financial and property matters. Unless otherwise specified by resolution of the Advisory Board of Elders, such accounting shall be done annually by each temporal agency to the ecclesiastical Church Government.

It is hereby declared that it is a Constitutional Right of every person under these canon laws to Freedom of Religion, and no official or temporal gency shall make any disclosure without the consent of each person, to any other person, of any religious beliefs, of any such person, or that any particular person under these canon laws holds any particular religious beliefs. Determination by the Ecclesiastical Head of any membership classification or by the Church Judiciary of any such matter, shall be final and conclusive. Any trial or proceedings before the Church Judiciary involving any religious beliefs shall be confidential unless requested to be open by the party involved, or the accused and the ecclesiastical church officials. No person having access to any list or names giving

membership or disclosing beliefs in religious matters, shall disclose or make public such list of names without the consent of each such person except to the Church Judiciary, who shall keep such list or names confidential, or to the duly constituted Church official having lawful use or access to such list of names. Unlawful disclosure, or publication shall be grounds for discipline.

Membership

Canon Law No. 14—Prerequisite to Membership (Including Agreement of Members).

No person shall be a member of the religious society, or any part thereof, of the Church until:

(1) He or she has met the religious examinations and tests prescribed by the ecclesiastical Church Government.

(2) He or she has been certified on the records of the ecclesiastical Church Government by the Ecclesiastical Head as having met the necessary religious prerequisites for such class of membership.

(3) He or she has duly made application for membership upon the form prescribed by the ecclesiastical Church Government, has agreed to be bound by the Church constitution and Church laws known as Canon laws, and agrees to submit to arbitration, valuation and/or determination all the matters provided in the canon laws.

Upon the adoption of these canon laws, the ecclesiastical Church Government shall notify those

who are members of the ecclesiastical organization of their membership and classification, and failure to forthwith notify in writing the Secretary of the Church Government of rejection of membership shall constitute an acceptance of these canon laws and of said agreement to arbitrate in these canon laws, and to abide by the Church Judiciary's decision or judgment.

The agreement of all members of any and all classifications shall be:

I agree to abide by the Church constitution and the Church laws known as canon laws, and by all lawful decisions and orders of the Church Government or any official thereof within the scope of his or her authority.

I agree to submit all questions, disputes and controversies of ecclesiastical and organizational matters to the Church Judiciary, as under the canon laws provided (and as they may be amended from time to time), and agree not to resort to legal or other remedies until all remedies thereunder have been fully exhausted. I further agree to submit to arbitration as in the canon laws provided (and as they may be amended from time to time) all questions, disputes and controversies whether now in existence or hereafter arising between myself and the ecclesiastical organization, and part thereof, any temporal agency, officer, official, member and/or any person or persons under said canon laws:

(1) controversies which might be the subject of a civil action and are within the provi

sions of California Code of Civil Procedure, Sections 1280 to 1293;

(2) all matters of the amount of damages; and

(3) all matters of value of property, real, personal or otherwise.

An award of arbitration, valuation, or determination, shall be binding, final and conclusive upon the parties thereto, and judgment may be entered thereon as in Civil Code of Procedure of California, Section 1287 provided. I agree not to bring any action, suit or proceeding until I have exhausted my remedy by this agreement to arbitrate, to determine damages, and/or for valuation.

....., 19..

Signed by:

.....,

(Name in Full.)

Canon Law No. 15—Classification of Members.

Of the various ecclesiastical members of the religious society, there shall be the following classifications:

(1) Co-Workers—those actively engaged in the Church ministry not otherwise classified.

(2) Affiliates—those who adhere to the religious beliefs of the religious society, and are ecclesiastical members. This shall include co-workers and all other classifications within this canon law.

(3) Student Ministers—those who are studying for the ministry of the church, upon admission to such status by duly constituted authority of the Church, but not yet admitted to lay or ordained membership. This is a probationary status.

(4) Junior Members—between 15 and 21 years of age.

(5) Lay Members—those members of the religious society designated by the Ecclesiastical Head of the Church Government who have, by examination and conduct, evidenced religious training and have evidenced a desire to—and who have—dedicated their lives to the ministry of the Church and renounced their worldly goods by oath of poverty and become children of the Church.

(6) Ordained Members—those who have qualified as lay members and been duly ordained by the duly constituted Church Government. Pastors shall be ordained members having a duty as such pastor by assignment of duly constituted Church officials.

(7) Managing Members—those affiliates designated as managing members by duly constituted authority to instruct others in religious matters.

(8) Members Entitled to Be Entrusted With Positions of Trust and Confidence—Those affiliates who, by reason of their religious beliefs, are designated by the Ecclesiastical Head of the Church to be capable of holding office or positions of trust and confidence in the society, or in any of its congregations, or any temporal agency. This position is always pro-

bationary, and may be suspended by the Ecclesiastical Head and terminated by the Advisory Board of Elders or by a judgment of the ecclesiastical court. The Ecclesiastical Head of the religious society shall designate those affiliates who, in his opinion by reason of their religious beliefs, are qualified for this classification. Termination of such classification or suspension shall be by reason of religious beliefs only, and shall not be for disciplinary reasons or by way of punishment. In the event of suspension from this classification, the affiliate shall be disqualified to act as an officer or official in the religious society, or any part thereof, or for any temporal agency or to act in any position of trust or confidence under these canon laws, or any ecclesiastical or temporal office in the Church. Upon suspension, the Ecclesiastical Head of the Church or such examining committee as may be designated by such Head, shall forthwith examine such suspended person on matters of religious beliefs and immediately report the results thereof to the Advisory Board of Elders or to the ecclesiastical court having jurisdiction; and such report shall be conclusive as to ecclesiastical beliefs.

Canon Law No. 16—Obligations of Membership.

It shall be the obligation of all members to faithfully and without mental reservations abide by the constitution, canon laws, and the rules and regulations of the ecclesiastical Church Government and the interpretation and decisions of the officials of said Church Government. All lawful orders and

directions of any duly constituted official within the scope of his or her ecclesiastical authority shall be obeyed at once and without question; however, nothing herein contained shall require or suggest violation of any law, statute or ordinance, nor shall it require or suggest anything to be done contrary to the doctrines and teachings of the Church. Any person aggrieved by obedience to any such order or direction shall have a right to be heard by the duly constituted official of the ecclesiastical body with power to correct any abuse of authority, or a fair and impartial hearing before the Church Judiciary, at the option of the aggrieved person, or both as in the canon laws provided.

Canon Law No. 17—No Legal Obligations to Members for Gifts.

There shall never be any legal obligation for giving or payment of money or transfer of property as a condition for obtaining or retaining any office, status or membership; and any official who directly or indirectly seeks either for himself or any organization or temporal agency of the Church to establish such a legal consideration shall forfeit his office and any member who directly or indirectly seeks either for himself or for any organization or temporal agency of the Church to establish such a legal consideration shall be excommunicated.

Canon Law No. 18—Regulations Governing Membership (Financial Liability).

No financial or property rights and no financial liability shall accrue by reason of any kind of mem-

bership nor shall any person incur personal financial or property rights nor liability by reason of any office or membership held in this Church; and all contracts, understakings and other agreements made —whether as a temporal agency or otherwise—for and on behalf of the Church shall contain as a provision thereof this provision.

Canon Law No. 19—Regulations Governing Compensation to Members.

All services performed for, given to, or expended by any person subject to these canon laws for the Church, or any congregation, project, ecclesiastical society or any part thereof, or of the temporal agency, shall be gifts, absolute and complete, for which there shall never be any compensation or other remuneration unless there is an express contract in writing between such person subject to these canon laws and the person, group or organization sought to be charged defining the method of compensation, rate and the services or work or property to be compensated, and such written contract has been duly approved in writing by competent officials of the ecclesiastical Church Government.

It is the intention of these canon laws that all such services and work shall be outright gifts to the Lord's work; and no individual or person shall profit from money or propery given or obtained for religious purposes. The ecclesiastical Church Government shall not approve in writing of any such

written contract for services or work or property to be compensated unless and until the official exercising such discretion determines that such compensated services are within the said religious purposes and such compensated services are necessary to carry out such religious purposes.

Canon Law No. 20—Property Rights of Individuals.

No person shall ever have any personal, proprietary or other right, title or interest in or to any property of the Church, congregation, project, ecclesiastical society or any part thereof, or temporal agency, by reason of membership in the society, Church, congregation, project, ecclesiastical society or any part thereof, or temporal agency, or of any office therein. All property shall be used exclusively for religious purposes according to the beliefs and teachings as interpreted and construed by the duly constituted Church Government.

Canon Law No. 21—Political Affiliations.

No person shall use his office or connection or membership in the Church, nor any property of the Church or any of its temporal agencies, for political purposes, or to promulgate or spread propaganda nor to influence legislation.

All persons in or connected with the religious society shall have absolute freedom of political affiliation, choice and/or action in any political matter and no pressure or direction, directly or indirectly, shall be used or diverted through the religious

society or any part thereof to affect or influence any political affiliation, choice, action or vote.

No person under these canon laws shall ever directly or indirectly attempt to change or advocate the change of government by other than lawful means. Any person assisting, or joining, or advocating the principles of, any organization advocating the change of government by other than lawful means shall be excommunicated.

No person under these canon laws shall ever directly or indirectly belong to the Communist Party, or any of its affiliated or front organizations. No person under these canon laws shall ever directly or indirectly belong to any fascist or nazi organization or fascist or nazi political party.

Canon Law No. 22—Definition of "Project" and "Project Managers."

A "project manager" shall be any person having any classification of ecclesiastical membership who is duly authorized and empowered by the duly constituted ecclesiastical Church Government to assist those on the project in applying Christianity as taught, construed and defined by the duly constituted Church Government to every-day life. Such project manager is an ecclesiastical official of the Church Government, and shall be selected from among those designated by the Ecclesiastical Head of the Church Government to be entrusted with a position of trust and confidence.

A "project" is any group, undertaking or activity in which one or more persons under these canon laws undertakes to apply and illustrate Christianity as taught, construed and defined by the duly constituted Church Government to every-day life. A project may or may not be owned in whole or in part by some temporal agency of the Church, or it may be owned by some individual and temporarily dedicated to such use without affecting, impairing or lessening the ownership of the individual therein. No property, other than money gifts and gifts of services shall be accepted by any temporal agency without the consent of the ecclesiastical Church Government. Such assent may be conditional or absolute.

Canon Law No. 23—Publications.

No publication shall be made in the name of the Church except that which is duly authorized by the Church Government. Projects, congregations, groups, societies and temporal agencies of the Church may make and distribute publications so long as they are in accordance with the religious purposes of the Church religious society and its doctrines, beliefs and teachings, but it shall appear thereon that such publication is only that of the particular project, group, congregation, society or temporal agency. Any such publication that departs from the religious purposes, shall be suspended by the Church Government; but nothing herein contained shall be used as censorship, and

such suspension shall be subject to review by the Church Judiciary.

Canon Law No. 24—Duties of Affiliates.

It shall be the duty of all affiliates, including student ministers and members of every classification, to constantly remember that Christ Jesus' Golden Rule applies specifically to their treatment of others, regardless of how others may treat them, and to continually seek to use that principle in their everyday lives and in their dealings with all with whom they come in contact * * * whether affiliated with the Church or any of its agencies or not. It shall further be the duty of all affiliates, including student ministers and members of every classification, to earnestly endeavor to so live that their actions as well as their words will constitute an exemplification of Christ Jesus' teachings and so continue to perfect the "illustration" of the practicability of such teachings which is being established by Christ's Church of The Golden Rule and all of its agencies.

Canon Law No. 25—Grounds for Discipline.

As an intent to violate a canon law is the essence of an ecclesiastical offense, no proof of an overt act is necessary in any disciplinary proceedings or action before the Church Judiciary.

Vilifying any ecclesiastical official or slanderous remarks against any member shall be grounds for discipline under these canon laws.

Any attempt to divert property of any temporal agency from its religious purposes or to misuse the same contrary to the doctrines of the ecclesiastical organization as defined by the ecclesiastical Church Government shall be grounds for discipline under these canon laws.

Any blasphemous statements or utterances shall be grounds for discipline under these canon laws.

Aiding, encouraging or advising any person to depart from the Christian ideals, as taught by the ecclesiastical church organization, shall be grounds for discipline under these canon laws.

Aiding, abetting, advising or encouraging, directly or indirectly, in any schism or division or separation from the Church organization, except by democratic means in conformity with the Church constitution or its amendment, shall be grounds for discipline under these canon laws.

Duties of Officers

Canon Law No. 26—Duties of Ecclesiastical Head.

The Ecclesiastical Head of the Church Government shall designate the various examining committees, and specify their duties.

It shall be the duty of the Ecclesiastical Head of the Church Government both personally and through examining committees to determine the teachings, doctrines, religious observances, and religious practices in the various projects, groups, congregations and societies of the Church and that

they are maintained according to the religious doctrines, teachings, practices and observances of the ecclesiastical organization, and in conformity therewith.

Canon Law No. 27—Duties of Secretary.

There shall be designated a Secretary, who shall keep the records of the ecclesiastical matters of the Church Government, and perform such duties as the Ecclesiastical Head shall designate in the matter of correspondence.

Canon Law No. 28—Privileges of Officers.

It shall always be the privilege of any officer of the ecclesiastical Church Government to attend any meeting of any committee or agency, to inspect their records, to require a report of any financial or property matter, to require an account of any temporal agency or officer or member handling money for or on account of any Church activity or trust or religious purpose, and to make any inquiry which any such Church Government officer shall deem necessary, proper or convenient.

Canon Law No. 29—Ecclesiastical Head Is Pastor to All Members.

It shall be the privilege of the Ecclesiastical Head of the Church Government to be the pastor to all of the various members of the society, regardless of where they may be located, live or be, and regardless to what project, congregation, group or

society they may belong; to minister to them, and to give or perform the sacraments. The ordained members and pastors shall perform the duties of their ministry in whatever area they may be assigned by the Church Government.

Judicial

Canon Law No. 30—Establishment of Ecclesiastical Courts (Church Judiciary).

There are hereby created ecclesiastical courts of the Church Government to be known and designated as the "Church Judiciary." The Church official or officials acting as and exercising the ecclesiastical court powers or as arbitrator, evaluator or in determining damages, shall be designated as "judge" of the Church Judiciary.

Canon Law No. 31—Appointment of Judges and Duties and Powers of Church Judiciary.

The Advisory Board, with the written approval of the Ecclesiastical Head of the Church Government, shall appoint one or more members of the ecclesiastical organization as judge of the Church Judiciary, to hold office until his successor is appointed. The Advisory Board, at the time of appointment, shall designate the area in which such judge shall act. Any such judge of the Church Judiciary who shall, for any reason, determine he is disqualified to act in any matter, shall report such disqualification to the Advisory Board, and the Advisory Board, with the written approval of

the Ecclesiastical Head of the Church Government, shall designate and appoint another person to act as such judge of the Church Judiciary in such matter wherein such disqualification has been reported, but not in any other matter.

The Judge of the Church Judiciary shall promulgate and adopt rules of procedure, in conformity with the Anglo-Saxon concepts of justice. Pleadings may be oral or written, and if oral the Judge shall cause them to be reduced to writing in the Church Judiciary records.

Violation of any canon law shall be grounds for discipline and the Church Judiciary shall punish only after notice and an opportunity for a fair trial, and punishment shall be such as the Church Judiciary may determine, up to excommunication, and may be conditional; and may be stayed upon such terms and conditions as the Church Judiciary or the Reviewing Authority may determine, pending any review.

Any person in any disciplinary proceedings, who may be dissatisfied with any final judgment or decision, may either orally or in writing within ten (10) days of such judgment or decision state to the Church Judiciary that he or she is dissatisfied with such judgment and decision and ask for a review thereof. Whereupon the judge of the Church Judiciary shall certify his records in the case together with a summary of all testimony and proceedings to the Ecclesiastical Head of the Church Government, and said Ecclesiastical Head shall cause some

impartial person licensed to practice law to examine said records, together with any statement such accused may wish to incorporate or submit and if such impartial person certifies or states in writing that substantial justice has been afforded the accused, and there is nothing, in his opinion, that was a miscarriage of justice, either in the procedural or substantive matters in such proceedings, the judgment shall be affirmed, otherwise the Ecclesiastical Head shall set aside the judgment or decision and return the record, together with the opinion of such impartial third person, to the Church Judiciary for further proceedings in conformity with such opinion.

The Ecclesiastical Head of the Church Government shall have power and authority at any time to pardon, commute or reduce any punishment, of any judgment or decision of the Church Judiciary, in disciplinary matters.

Canon Law No. 32 — Church Judiciary Powers (Continued).

The Church Judiciary shall have jurisdiction to determine all disputes and controversies involving all right to office, all authority of all officials and persons within the Church Government or any part thereof, or any temporal agency, all membership according to its various classifications, and the scope and authority of any and all temporal agencies and the rights to property as between them

and any person or group of the Church, matters of doctrine and belief as therein involved and all other ecclesiastical and organizational matters. Determination of membership, according to the various classes, qualifications, office, and all other ecclesiastical and organizational matters shall be determined by the various officials of the Church Government, and such determination shall be final and conclusive upon all persons under these laws unless a proceeding is submitted to the Church Judiciary and a final decision or determination thereon is obtained.

Canon Law No. 33—Church Judiciary Powers (Continued).

Irrespective of any dispute, question or controversy, the Church Judiciary shall have jurisdiction to determine membership, authority, qualification and powers of any person or official or temporal agency under these canon laws. In such proceedings, all interested persons shall have notice and an opportunity to be heard in accordance with these canon laws.

Any person who believes himself to be aggrieved by any action or omission of any other person under these canon laws shall be entitled to a fair and impartial hearing before the Church Judiciary, and in such proceedings, the aggrieved person may at his option ask for no more or other relief than vindication on the records of the court.

All persons subject to these canon laws shall be bound by the decision of the Church Judiciary,

whether interlocutory or final, and shall promptly obey all orders and directions thereof including orders to appear, or to give testimony.

Any interested person under these canon laws who believes himself aggrieved by any order, judgment or decision of the Church Judiciary in ecclesiastical or organizational matters may, within ten (10) days thereafter either orally or in writing, so state to the Ecclesiastical Head of the Church Government or the judge of the Church Judiciary, whereupon the order, judgment or decision shall be reviewed as in these canon laws provided.

Canon Law No. 34—Notice of Proceedings.

The Church Judiciary shall, by its rules, provide for notice to be given in any proceedings. If the whereabouts or location of any person under these canon laws are unknown to the judge of the Church Judiciary, notice of at least ten (10) days may be given to any person under these canon laws by sending the notice by United States registered mail, return receipt demanded, to the last known address of such person as shown by the records of the ecclesiastical Church Government.

Canon Law No. 35—Selection of Arbitrator (Regulations Governing Arbitration).

As in the early Christian Church before the time of Constantine, all civil and temporal matters in dispute between Christians were submitted to the Church authorities for decision rather than to sub-

mit such matters to the Roman courts, so also shall all disputes be submitted in all ecclesiastical matters to the Church Judiciary and in civil and temporal matters to arbitration as in these canon laws provided.

The ecclesiastical Judiciary competent to act in the area involved is hereby designated as the arbitrator, evaluator and/or umpire of all matters that may be the subject of dispute. In the event it is impossible to obtain a fair and impartial arbitrator, evaluator and/or umpire from among the Church Judiciary, then the Advisory Board of Elders shall designate an impartial person to act as such arbitrator, evaluator and/or umpire. In any arbitration no person who is interested shall take part in such arbitration as an arbitrator, it being the intention of these canon laws that such arbitrator shall be absolutely fair and impartial and in all respects capable of rendering a fair and impartial decision and award. In the event it is impossible to obtain a fair and impartial arbitrator from among the Church Judiciary, then such arbitrator or arbitrators shall be designated and selected by the Advisory Board of Elders, and such arbitration shall be conducted in accordance with California Code of Civil Procedure, Sections 1280 to 1293; and the decision of the arbitrator shall be final and conclusive upon the parties. No person who is interested in such dispute shall act in such selection of an arbitrator; but the Advisory Board shall act, without such interested person or persons, and its

quorum for the purpose of such selection and appointment of an arbitrator or arbitrators shall be determined by deducting the number of such disqualified members of said Board from the number otherwise required to constitute a quorum. Should it be impossible to obtain an arbitrator from the Church Judiciary, and should the Advisory Board of Elders for any reason fail and neglect to appoint arbitrators or should all of the Advisory Board of Elders be disqualified to act, then it shall be the duty of the College of Pastors to select and appoint the arbitrator or arbitrators; such arbitrator or arbitrators shall conduct the arbitration according to Califonia Code of Civil Procedure, Sections 1280 to 1293 and the award and decision of arbitration shall be final and conclusive upon the parties. It is the intention of these canon laws to select the arbitrator or arbitrators from among the membership of the ecclesiastical society of the Church; that all disputes involving civil and temporal matters be settled by arbitration conducted in accordance with the Civil Code of Procedure of California, and the award and/or decision of arbitration shall be final and conclusive upon the parties. It is the intention that determination of values and all questions of the amount of damages shall be determined by evaluators and or umpires; and all provisions of these canon laws as to arbitration shall extend to such matters of determination of values, and all questions of the amounts of damages.

Canon Law No. 36—Qualification of Arbitrator.

The judge of the Church Judiciary shall act as arbitrator, evaluator or umpire under all disputes, questions and controversies, unless disqualified to act. No such judge of the Church Judiciary shall act in any such matter until he has determined he has no interest in the controversy, question or dispute that he can render a fair and impartial decision, award or finding therein, and that he knows of nothing that would prevent him from acting as such arbitrator, evaluator or umpire. It shall be the duty of any party to such arbitration, evaluation or determination to file a written detailed statement of facts with any such judge of the Church Judiciary or other person acting as arbitrator, evaluator or umpire, stating all matters which the party believes will prevent such person from rendering a fair and impartial decision or award or finding or that would affect the qualifications of such person to act as an arbitrator, evaluator or umpire, immediately upon the commencement of any such proceedings; or if not discovered until later, immediately upon discovery.

All proceedings for arbitration, valuation or determination involving any question, dispute or controversy under any agreement to arbitrate, determine damages or value shall be held strictly in accordance with the provisions of Sections 1280 to 1293 of the California Code of Civil Procedure. Any award, determination or valuation thereunder

shall be final and conclusive upon the parties thereto.

Canon Law No. 37—Request for Review (Regulations Governing Reviews).

In all matters involving organizational or ecclesiastical controversies or jurisdiction exercised by the Church Judiciary, any interested person or party to such proceedings may, within ten (10) days after the act of such Church Judiciary, state orally or in writing to the Church Judiciary or to the Ecclesiastical Head of the Church Government that he or she is dissatisfied with the decision, judgment or findings of the Church Judiciary, and ask for a review thereof. Whereupon the Church Judiciary shall make an entry in its records of such request for a review, giving the date thereof, and certify a copy of the Church Judiciary records in the case of proceedings together with a summary of all testimony and proceedings to the Ecclesiastical Head of the Church Government. The said Ecclesiastical Head, upon receipt of such record, shall cause some impartial person licensed to practice law to examine said record together with any statements or briefs of the aggrieved person or any other interested persons. Such impartial person so examining said record shall either certify that there is nothing in his opinion that was a miscarriage of justice, either in the procedure or the substantive matters, so as to substantially affect the rights of any parties thereo, or specify wherein there was a miscarriage of justice so as to substantially affect

the rights of any of the parties thereof. In the former cases, the acts of the Church Judiciary shall be affirmed. In the latter case, the Ecclesiastical Head shall return the record together with the opinion of the impartial person examining the record for further proceedings in conformity with such opinion.

Nothing herein contained shall provide for any review of any matter or proceedings involving arbitration, valuation or determination of damages.

Certificate

I, A. E. Knapp, Secretary of the Ecclesiastical Society of Christ's Church of The Golden Rule, do hereby certify this and the foregoing 26 pages (being a total of 27 pages) to be true and correct copies of the "Constitution of Christ's Church of The Golden Rule" and "Canon Laws of Christ's Church of The Golden Rule" which were adopted in convention at the San Francisco Theological Seminary on February 15th, 1948, and approved and accepted by more than ninety-five per cent (95%) of the Loyal Ecclesiastical Affiliates of Christ's Church of T e Golden Rule.

In Witness Whereof, I have hereunto set my hand this 13th day of March, 1948.

[Seal] /s/ A. E. KNAPP.

Received and filed February 19, 1953, T.C.U.S.

Served February 19, 1953.

[Title of Tax Court and Cause.]

Docket No. 46,978.

AMENDED PETITION

Now comes your petitioner, Peggy Lou Riker, and amends her petition on file in the above-entitled matter to show:

I.

That Paragraph II is amended by changing the last sentence thereof to read:

"That the amount of tax in controversy is $1,584.03."

II.

That Paragraph III of the petition is amended to read:

"That the Commissioner erred:

"(1) In refusing your petitioner any deductions for gifts made to Christ's Church of The Golden Rule, an exempt organization under Sec. 101(6) in any sum or at all.

"(2) That income of your petitioner from all sources during said accounting period was the sum of $377.39 per person, herself, and her minor child residing with her, being an undivided 1/575 interest in the net income of the Apostolic Society; that said income from the two persons is shown and reported in the return as $754.78. That said income is a proportionate share of the gross receipts, including gifts, to the Common Community Treasury

of the Apostolic Society of Christ's Church of The Golden Rule.

"(3) That the Commissioner disallowed the expense of $168.61 for property and sales taxes as a proper deduction."

III.

That Paragraph IV of the original petition is amended to read:

"That the facts upon which your petitioner rely are:

"(1) That during the entire period of time involved in the return, and during 1948 and at all times herein mentioned Christ's Church of The Golden Rule was and is a Church and religious society and its principal temporal agency was and is the Elected Delegates Committee of the Ecclesiastical Society of Christ's Church of The Golden Rule, which committee held all money and property in trust and was organized to act for the ecclesiastical organization for religious purposes pursuant to the Church Constitution and Canon Laws, a copy of which is attached hereto marked Exhibit B and incorporated herein by reference. That said Church is and was an exempt organization and within the provisions of Section 101(6) and all money and property were and are held for religious purposes only and no part inures nor inured to the benefit of any person, individual or private shareholder, now is nor was any part used or usable for propaganda or to otherwise influence legislation.

"(2) That your petitioner, during the calendar year, ran and operated a certain project of Christ's Church of The Golden Rule known as 'Your Food Fountain' at 901 E. Base Line Blvd., San Bernardino, California; that said project was established from funds provided by the temporal agency of the said Church; and was conducted under licenses in the name of your petitioner. That the said temporal agency passed under the control of the Bankruptcy Court in Los Angeles and an agreement was made between the Trustees in Bankruptcy and the Elected Delegates Committee of the Ecclesiastical Society of Christ's Church of The Golden Rule, whereby the said committee acquired the interest of said trustees in Bankruptcy. That the said taxpayer, together with affiliates of the said Church, ran and operated said Food Fountain, up to January 20, 1948, and all gross receipts therefrom were deposited directly in the bank account of said Elected Delegates Committee, and the affiliate making the deposit executed Church Form known as No. 399 and transmitted the original thereof to the committee. That all expenses attendant with the operation of Your Food Fountain up to January 20, 1948, from October 1, 1947, and prior thereto, were paid from a commercial banking account designated as Your Food Fountain Project Account. That during said period of time up to January 20, 1948, listed items of expenses of operation of the Food Fountain were submitted with an agreed budget to the said committee, and the said committee would from time to time draw its check for the said proj-

ect account to permit payments of said expenses of operation. That there was no commingling of the said Elected Delegates' bank account and the said Project Account. The gross receipts shown in the taxpayers' return from the start of the fiscal year on October 1, 1947, to January 20, 1948, were the sums directly deposited to the said committee's account, and said gross receipts appear in the tax return of the said committee as an Apostolic Society under the item of 'Application of Student Ministers' Training Program' for the year 1948. That the expenditures from the said Project Account, supported by paid or receipted vouchers, were carried on the said committee's books under its respective item of expense or disbursement, and the expenses of the conduct of the Fountain to January 20, 1948, appear in the said Apostolic Society's return as a portion of the 'Items of Expenses and Equipment, Materials and Supplies of Student Minister Training Projects.' That from January 20, 1948, to June 30, 1948, a consistent effort was made by the said committee to sell the said Fountain as a going business and to clear up the cloud of the claim of the trustees in Bankruptcy. That during said period, the taxpayer was the sole Church affiliate in the business, and she used three separate partners, mostly relatives, to conduct the business. That the taxpayer transmitted her share of the earnings, as received from each partnership, to the Church, together with a Form No. 399. That these funds given from January 20, 1948, to June 30, 1948, were transmitted to the said Elected Dele-

gates Committee and are reported by the said committee as part of the Apostolic Society's income in said Society's tax return, as part of the item 'Gifts from Individuals.' That on July 22, 1948, the said Elected Delegates Committee purchased such interest as the trustees in Bankruptcy claimed in said Fountain, and the said sale was duly confirmed by the said Bankruptcy Court. That the purchase price note of $1,500 was duly executed by the said committee and delivered by the said committee to the said trustees in Bankruptcy and paid by the said committee to the said trustees in Bankruptcy according to the terms of said purchase note. That after July 22, 1948, the said project Your Food Fountain was operated and all the profits therefrom paid to the committee, after the deduction of expenses connected therewith, and the said business was sold by the said committee and the entire net proceeds received by the committee were deposited in its bank account. That during the entire fiscal period from and after October 1, 1947, and until the sale of Your Food Fountain by said committee, your taxpayer resided with a group of the Apostolic Religious Society's members of said Church living in San Bernardino. That the said group paid for its living expenses from the Project Account, and all living expenses were required to be made and were according to an approved budget duly supported by paid vouchers, and such vouchers were submitted monthly to the said committee; and the said committee would and did provide funds from its bank account for such Project Account, includ-

ing the cost of operation and the actual expenses of living of said Apostolic Society group. That the amounts and sums in said approved budget for living expenses were determined by the duly constituted government of said Church government. That the personal living expenses of said group are included in the said committee's tax return designated as 'Student Minister Maintenance.' That during all of said time the taxpayer's minor daughter, then seven and eight years old, lived with taxpayer at the said San Bernardino Apostolic Society group of said Church, and all the adults of said group were affiliates of said Church and part of the Apostolic Society of said Church. That said committee's tax return was made as an Apostolic Society, and the Common Community Treasury thereof, upon a Form 1065, and all the income therefrom was reported by each of the persons in said Apostolic group as income, whether received or not, pursuant to the said requirements of Subdivision 18 of Section 101, Revenue Code. That said proportionate share was reported as the sole income of the taxpayer, for herself and her minor child as two proportional units thereof as aforesaid.

"(3) That your petitioner expended during said year the sum of $168.61 as and for property and sales taxes, which were proper deductions for computing income for tax purposes."

IV.

That the said prayer be amended by appending thereto the following:

"That the Court determine that the funds of Your Food Fountain are properly income of the said committee of said Church, and that your taxpayer is taxable under the provision of Subdivision 18, Section 101 of the Revenue Code, only for her proportionate share, whether received or not, for herself and her minor child, after deduction of personal exemptions of the taxpayer and her minor child therefrom."

/s/ HOWARD B.
CRITTENDEN, JR.,
Attorney for Petitioner.

Duly verified.

AFFIDAVIT IN SUPPORT OF PETITION TO AMEND

State of California,
City and County of San Francisco—ss.

Howard B. Crittenden, Jr., being first duly sworn, deposes and says: That he is attorney for the petitioner in the above-entitled matter.

That the above-entitled action together with the Grasmee and the Grossheim cases are three test cases selected from the group pending before the Agent's office in San Francisco involving members of Christ's Church of The Golden Rule. That there is an understanding that the determination on these cases will be conclusive upon the parties and the

Commissioner in the determination of the matters pending for said years. That the said Grasmee case and the said Riker case were selected to present the question of Subdivision 6, Section 101, Exemption; and the Grossheim case presented the reporting and exemption under Subdivision 18 of Section 101. That in conferences with the technical staff and General Counsel's office, affiant, on behalf of said taxpayers, learned that the Commissioner contended that there was an error in the Grossheim matter resulting in a negligible tax of approximately $1.00, and that the said Grossheim matter would be conceded by the Commissioner before the Tax Court, and no adjudication would therein be involved.

That in the course of the conferences with Mr. Marcussen of the General Counsel's office, affiant stated that the Riker case could be amended to include facts sufficient to raise the matters otherwise involved under Section 101, Subdivision 18, instead of and in place of the Grossheim matter; and in the Spring of 1954 affiant tendered to the said Marcussen as such counsel a suggested stipulation outlining the facts set forth in the attached amendment. That by reason thereof the Commissioner will not be prejudiced by any delay in the tendering of the amendment. That it was stated to affiant by the successor to Mr. Marcussen, as attorney for the Commissioner, that said attorney could not join in the stipulation as to the facts recited in the proposed written offer, but only as to the formal docu-

ments attached thereto and the authentication and due execution thereof.

/s/ HOWARD B.
CRITTENDEN, JR.

Subscribed and sworn to before me this 19th day of October, 1954.

[Seal] /s/ AGNES M. COLE,
Notary Public in and for the City and County of San Francisco, State of California.

My commission expires August 28, 1955.

Affidavit of Service by Mail attached.

Lodged October 25, 1954.

Filed at hearing November 1, 1954.

[Title of Tax Court and Cause.]

Docket No. 46,978.

ANSWER TO AMENDED PETITION

Comes now the Commissioner of Internal Revenue, respondent above named, by his attorney, Daniel A. Taylor, Chief Counsel, Internal Revenue Service, and for answer to the amended petition filed by the above-named petitioner admits and denies as follows:

I.

Admits the allegations contained in paragraph I of the amended petition.

II.

Denies that the Commissioner erred in the determination of the deficiency as alleged in paragraph II of the amended petition.

III.

Denies the allegations contained in paragraph III of the amended petition and all subparagraphs thereunder.

IV.

Denies the allegations contained in paragraph IV of the amended petition.

Wherefore, it is prayed that the Commissioner's determination be approved and the petitioner's appeal denied.

/s/ DANIEL A. TAYLOR,
Chief Counsel, Internal
Revenue Service.

Filed at hearing November 2, 1954.

Served November 2, 1954.

[Title of Tax Court and Cause.]

Docket No. 46,979.

AMENDMENT TO ANSWER

Leave of the Court having first been obtained,

Comes now the Commissioner of Internal Revenue, respondent above named, by his attorney,

Daniel A. Taylor, Chief Counsel, Internal Revenue Service, and amends his answer to the petition filed by the above-named petitioner by striking the prayer therefrom and adding the following:

VI.

Further answering the petition herein, respondent alleges as follows:

(a) On each of her returns for the taxable years 1948 and 1949 petitioner claimed two exemptions, one for herself and one for her mother.

(b) Petitioner's mother did not receive from petitioner over one-half of her support for the taxable years 1948 and 1949. Petitioner is therefore not entitled to an exemption for her mother in either of said years.

(c) There is accordingly due from petitioner such increased deficiency in income tax for each of the years 1948 and 1949 as will result from the disallowance of the exemption claimed with respect to petitioner's mother.

Wherefore, respondent prays that the Tax Court redetermine the deficiencies in income tax for the taxable years 1948 and 1949 to be the amounts determined by the Commissioner in his notice of deficiency, viz., $86.53 and $90.00, respectively, plus such increased deficiency as may be indicated on a Rule 50 computation resulting from the further adjustment described herein, claim for which is

hereby made pursuant to the provisions of Section 272(e) of the Internal Revenue Code.

/s/ DANIEL A. TAYLOR,
Chief Counsel, Internal
Revenue Service.

Received and lodged September 8, 1954.

Filed September 9, 1954, T.C.U.S.

Served September 10, 1954.

[Title of Tax Court and Cause.]

MEMORANDUM DECISION

1. Held: Income derived from the operation of a restaurant by petitioner was her income and not that of the Church organization to which she contributed it.

2. Held: Part of amounts contributed to a Church organization by petitioners was not deductible as contributions to a religious organization, since the Church was not organized and operated exclusively for religious purposes within the meaning of Section 23(o), Internal Revenue Code of 1939.

3. Held: Dependency exemption for petitioner's mother disallowed, since her support was received from the Church.

HOWARD B. CRITTENDEN, JR., ESQ.,
For the Petitioners.

T. M. MATHER, ESQ.,
For the Respondent.

MEMORANDUM FINDINGS OF FACT AND OPINION

Respondent determined a deficiency in income tax against petitioner Peggy Lou Riker in the amount of $1,584.03 for 1948, and deficiencies of $86.53 and $90 for 1948 and 1949, respectively, against petitioner Freda H. Grassmee. By amendment to respondent's answer in the case of Freda Grassmee, an increased deficiency was claimed because of respondent's disallowance of an exemption claimed with respect to her mother.

The cases were consolidated for hearing and decision.

The questions we have to determine are (a) whether income derived from the operation of a restaurant by petitioner Peggy Lou Riker was income taxable to her or to a religious organization of which she was a member; and if taxable to her (b) whether she is entitled to a deduction for the year 1948 for contributions to a religious organization under Section 23(o), Internal Revenue Code of 1939. In the case of Freda H. Grassmee the questions are whether the contributions to the same religious organization for the years 1948 and 1949 are deductible, and whether she is entitled to a

dependency exemption for her mother for those years.

Findings of Fact

The petitioners are individuals. During her fiscal year 1949 Peggy Lou Riker lived in San Bernardino, California. During 1948 and a part of 1949 Freda Grassmee lived in Los Angeles; in August, 1949, she moved to San Francisco. Both petitioners' returns for the years in question were filed with the collector of internal revenue for the first district of California at San Francisco.

Christ's Church of The Golden Rule is a religious nonprofit California corporation (hereafter called the Church). The Church was organized in 1944. In 1945 the Church was adjudicated a bankrupt and during 1948 and 1949 was in bankruptcy.

The Church adopted a constitution and canon laws in 1948. The religious beliefs of the Church are set forth in the constitution which declares a belief in a true God, in Jesus Christ, the scriptures and in salvation through repentance.

The economy of the Church is declared to be based on economic equality and the property and earnings of its members in the words of the constitution

> should be owned and managed by the Church for the benefit of all mankind in accordance with the rules and regulations of the ecclesiastical society of this Church, that God may

> be glorified and all mankind directly or indirectly benefited.

The ecclesiastical affairs of the Church are in the hands of an organization consisting of a senior elder, an advisory board of elders, and a college of pastors.

The temporal affairs of the Church are in the hands of "temporal agencies" subject to the control of the ecclesiastical authorities. Such affairs are carried on through charters granted by the senior elder with the advice of the advisory board, to the "various congregations, projects and other temporal activities * * *."

According to the canon laws of the Church, a charter could be granted, withheld or revoked upon whatever terms and conditions the Church Government designated. The canon laws of the Church provide, inter alia, that all temporal agencies are to hold "their property upon a private trust for the ecclesiastical organization," and

> All transfers, conveyances and sales shall be presumed to be bona fide gifts to the Lord's work unless there be conditions or understandings or promises to the contrary in writing, duly approved in writing by the duly constituted ecclesiastical Church Government.

In operation, activities of Church members are of two types. Some members devote all of their time to working in Church projects and studying to be ministers of the Church's teachings. These

are called student ministers, and they live in apostolic societies called "Student Minister Training Projects." One purpose of these projects, most of which were engaged in commercial activities, is to spread the teachings of the Church by having the public witness the application of these teachings in everyday life. Some projects were not engaged in commercial activities but simply operated residential facilities for Church members. Members living in both types of projects contributed their earnings to the Church. Other Church members lived at home and participated in Church activities. The Church operated a theological seminary.

The principal temporal agency of the Church is the Elected Delegates Committee (hereafter called the Committee) which was formed in 1946.

During 1948 and 1949 the Committee operated various student minister training projects. It also operated the Church treasury and carried on various commercial activities in competition with privately owned enterprises, including, among others, a restaurant, a laundry, a lumber yard, bulb gardens, farming, stock raising and a warehouse. These enterprises were operated for profit. Gross receipts from the operation of these projects were sent to the Committee covered by a form stating that the transfer was an outright gift from the project manager and was to be used only for Church purposes.

For 1948 and 1949 the Committee filed amended returns of income on Treasury Department form

990 as an organization exempt under section 101 of the Internal Revenue Code of 1939, and also amended returns as an apostolic society on the partnership form 1065. The returns showed the Committee's gross income for 1948 as $484,981.44, of which $347,489.99 was reported as received from the operation of student minister training projects, and $137,491.45 from contributions and gifts. In 1949 gross income of $409,590.05 was reported, of which $352,528.70 was from the operation of student minister training projects and $56,033.27 was from gifts and contributions. On the Committee's returns as an apostolic society, the undistributed pro rata share of each member of the apostolic society was reported as $342.27 for 1948 and $316.17 for 1949.

During the taxable years Peggy Lou Riker was a member of the Church. Prior to joining the Church Peggy Lou and her husband had operated a drug store in partnership with his parents. The partnership was dissolved and Peggy Lou and her husband took the fixtures of the business and made a cash settlement with his parents. The fixtures were then used to set up a student minister training project to operate a restaurant under the name of "Your Food Fountain" (hereafter sometimes called the Fountain). Peggy Lou was manager of the project and the business license was in her name. Her duties included giving religious instruction to "members" of the project, who varied in number from 12 to 17. All of the receipts from the

operation of the Fountain were turned over to the Committee on a form such as that described above, signed by Peggy Lou as project manager. Funds were in turn allocated by the Committee from the Church treasury for the operation of the Fountain and the living expenses of the members of the group.

While the bankruptcy proceedings of the Church were pending, Peggy Lou sued the trustees in bankruptcy to establish her ownership of the equipment of the Fountain. An agreement was made in May, 1947, between Peggy Lou and the trustees relating to the Fountain while the litigation was pending, which provided that Peggy Lou was to operate the establishment until the lawsuit involving ownership was settled. The income during this period was to belong to Peggy Lou and she was to pay the trustees certain amounts to be deposited by the trustees in a trust fund account. All operating expenses were to be paid by Peggy Lou.

From May, 1947, until July, 1948, the restaurant was operated under this agreement. Of this period, from May, 1947, until January, 1948, the restaurant was run as a "Church project," and the earnings were turned over to the Committee by Peggy Lou. From January, 1948, until June, 1948, Peggy Lou ran the business in private partnership with other persons who were not members of the Church, and from June until September, 1948, she operated the business on a percentage basis with a prospective purchaser of the business. Her partnership share

of the restaurant's earnings was contributed to the Committee. For five months of her fiscal year 1948, January 20 to June 30, Peggy Lou filed partnership returns for three different partnerships that operated the restaurant in this period. In July, 1948, the assets of the restaurant were sold to the Committee for $1,500. Peggy Lou consented to the sale.

Peggy Lou filed an income tax return for her fiscal year 1948 (October 1, 1947, until September 30, 1948), which disclosed a net profit of $7,568.25 from the operation of a restaurant business under the name of "Your Food Fountain." A memorandum attached to the return read as follows:
Item 2. Wages, etc.

Taxpayer was employed by Own Business for a gross income of $8959.11 during the taxable year. However, under the rules of the apostolic society (of which taxpayer is an associate) that all in the society share their income, $8959.11 was contributed to and became a part of the income of the apostolic society, and is reported as part thereof. Taxpayer would therefore be taxed twice on the same income by reporting it as wages and also as a dividend. For this reason, this latter sum is reported only as part of the dividend or taxpayer's pro rata share of the net income of said apostolic religious society. (See Item No. 3 Dividends.)

Item 3. Dividends.

1/575 interest in $217,001.54 net income of the Elected Delegates' Committee of the Ecclesiastical

Society of Christ's Church of The Golden Rule, and Apostolic Religious Association for its accounting period of Oct. 1, 1947, to Oct. 1. 1948. This was not received as a dividend, but is reported under Sec. 101(18)—Per person in Association $377.39.

Number of persons in taxpayer's family who were in association and obtained support from Society during period:

2 times $377.39 ..... $754.78

In her return for 1948 Peggy Lou claimed the sum of $8,959.11 as gifts to the Church. This claim was disallowed by the Commissioner and this action was alleged as error in the original petition. In an amended petition it was prayed that the income of the Fountain be found to be the income of the Church.

Facts With Relation to Petitioner Freda H. Grassmee.

Freda H. Grassmee was employed in a law office in Los Angeles during 1948 and 1949. She was a member of the Church. She contributed practically all of her salary for those years to the Committee. She and her mother lived in a Church residential project and participated in religious activities of the Church. Both received their support from the Church. Freda's income tax returns for 1948 and 1949 contained memoranda as to the disposition of her income similar to that attached to Peggy Lou's return. On her returns for both years she claimed a dependency exemption for her mother.

The Commissioner disallowed the deductions claimed as contributions to the Church in 1948 and 1949. In an amended answer he claimed increased deficiencies based on disallowance of the dependency credits claimed for Freda's mother.

Opinion

Tietjens, Judge:

In the petition originally filed petitioner Peggy Lou claimed that all of the income derived from the operation of the restaurant "Your Food Fountain" was donated by her to the Elected Delegates' Committee. By amendment to her petition she claimed that the income was not hers but was the Committee's; that her only income was her proportionate share of the Committee's net income for the year, which, though not actually received, was apportioned to her as a member of an "apostolic association."

Peggy Lou made her return for 1948, the year in question here, on a fiscal year basis, October 1, 1947, until September 30, 1948. Our findings show that she entered into an agreement in May, 1947, with the trustees in bankruptcy under which she was to operate the Fountain until her claim to ownership of the restaurant equipment was judicially determined. This agreement expressly provided that all funds derived from the operation of the restaurant were to belong to her, and she was to make certain payments to the trustees. It appears that she continued to operate the restaurant

under this agreement until July, 1948, when the restaurant equipment was sold to the Committee. According to her testimony, during that part of her fiscal year from October, 1947, to January, 1948, she ran the restaurant as a Church project, she being project manager; and from January to June, 1948, the restaurant was run as private business by a partnership of which she was a member. During the latter period the operation of the restaurant was not a Church project. Although the restaurant equipment was sold to the Committee in July, 1948, Peggy Lou continued to operate the business until September, 1948, on what she termed a "percentage basis" with another person who was interested in buying the property. Late in 1948 or early in 1949 the Fountain was sold, the Committee receiving the purchase price. In the October-January period the gross receipts of the business were turned over to the Committee by Peggy Lou as a gift, and in the same manner she turned over her share of the proceeds of the business in the January-June and June-September periods.

On the basis of the foregoing evidence we think it is clear that at least during the October to July period Peggy Lou operated the restaurant under the agreement with the trustees in bankruptcy and the income she received from its operation was hers and not the Committee's. Income is taxable to the one who earns it or otherwise creates the right to receive it and to enjoy the benefit of it when paid. Helvering v. Horst, 311 U.S. 112 (1940). The in-

come was earned principally as a result of Peggy Lou's efforts in operating the restaurant. According to the agreement with the trustees she had an unqualified right to receive the funds from the operation of the restaurant and her testimony was that she actually received them. That her enjoyment of the income consisted of donating it to the Committee cannot relieve her of the liability for tax on its receipt. Helvering v. Horst, supra.

The status of the income from the operation of the restaurant in the period from July to the end of Peggy Lou's fiscal year, September, 1948, is less certain. There is no breakdown as to what amount of restaurant income was earned in this period. Petitioner has the burden of overcoming the correctness of respondent's determination that the income was hers. To meet this burden the evidence is that the restaurant equipment was owned by the Committee in this period, and upon the sale of the restaurant late in 1948 or early in 1949, the purchase price went to the Committee. On the other hand, Peggy Lou testified that she operated the restaurant in this period on a percentage basis with a prospective purchaser, and that she received a share of the receipts of the business, which she donated to the Committee. On this state of the record we can hold only that petitioner has failed to meet her burden of proof, and that respondent's determination should stand.

Having determined that the income from the operation of the restaurant was taxable to Peggy

Lou, the next question is whether a part (15 per cent of her adjusted gross income) of the amount she turned over to the Committee may be deducted as a charitable contribution under section 23(o), Internal Revenue Code of 1939. The refusal of the respondent to permit any amount as a contribution to a religious organization was one of the assignments of error in Peggy Lou's amended petition. The same question is presented in the case of Freda Grassmee, who was privately employed and turned over almost all of her income to the Committee.

That part of section 23(o) which is pertinent here provides:

In computing net income there shall be allowed as deductions:

(o) Charitable and Other Contributions. — In case of an individual, contributions or gifts payment of which is made within the taxable year to or for the use of:

> (2) a corporation, trust, or community chest, fund, or foundation, * * * organized and operated exclusively for religious, charitable, scientific, literary, or educational purposes, * * * no part of the net earnings of which inures to the benefit of any private shareholder or individual * * *

to an amount which in all the above cases combined does not exceed 15 per centum of the taxpayer's adjusted gross income.

The respondent claims (a) that the Committee was not organized and operated exclusively for the purposes required by the statute, because one of its principal activities was the operation of various business ventures; and (b) that since the senior elder of the Church has exclusive control of the Church and its property, the earnings of the Church may inure to his benefit or to the benefit of other Church officials who are empowered to request an election as senior elder.

Our findings of fact show that according to the constitution and canon laws of the Church the Committee was set up to handle the temporal affairs of the Church, as distinguished from its spiritual or ecclesiastical affairs. In carrying out this purpose it operated a restaurant, a laundry, a lumber mill, and various other commercial enterprises, which were its principal sources of income during the years in question. In determining whether an entity is "organized and operated exclusively for religious, charitable, * * * or educational purposes" within the meaning of section 101(6), Internal Revenue Code of 1939, in order to determine its qualification as a tax exempt organization, this Court has denied exemptions to those organizations set up to engage in business activities, despite the fact that the income earned is to go to an exempt organization. So, even if we assume so far as this phase of the case is concerned, that the ecclesiastical society of the Church, the beneficiary of the Committee's earnings under the Church constitution, is a religious

organization qualified under section 23 (o) this does not help petitioners. We are cognizant that some of the circuit courts have differed with us on this question, and hold that where the organization in question is operated to produce income for a tax exempt body, the producing entity is also exempt from taxation under section 101. Roche's Beach, Inc., v. Commissioner, 96 F. 2nd 776 (C.A.2, 1938), reversing 35 B.T.A. 1087; C. F. Mueller Co. v. Commissioner, 190 F. 2d 120 (C.A.3, 1951), reversing 14 T. C. 922; contra, United States v. Community Service, 189 F. 2d 421 (C.A.4, 1951), certiorari denied, 342 U. S. 932 (1952). The language of section 101 (6), "organized and operated exclusively for religious * * * purposes," is identical with that of section 23 (o), which describes the types of organizations to which contributions are deductible. We think our decisions under section 101 (6) should have equal applicability where the qualification of an organization under section 23 (o) is in question. Following our prior decisions, we hold that the Committee was not organized and operated exclusively for religious purposes, because the reason for its organization, as shown by the constitution and laws of the Church, was to conduct the temporal affairs of the Church and these in fact consisted principally of various commercial enterprises.

Our holding that the Committee does not qualify as a religious organization to which contributions are deductible under section 23 (o) does not completely dispose of the question of the deductibility

of petitioners' contributions, since such contributions are deductible if "made * * * to or for the use of" a qualified organization. In John Danz, 18 T.C. 454 (1952), (acq. C.B. 1952-2, 1), we held that contributions to a trust set up to benefit exempt charitable organizations were deductible, even though the trust itself did not qualify as organized and operated exclusively for the purposes enumerated in section 101 (6), since such contributions were "for the use of" the exempt charitable organizations. To the same effect is United States v. Weed, U.S.D.C. Mo., May 11, 1954 (C.C.H. 54-1 U.S.T.C. ¶9414; 1954, P.H. ¶72,631). Our holding in John Danz cannot be aptly applied here, since we do not think that the ecclesiastical society of the Church can qualify as organized and operated exclusively for religious purposes. In that case there was no question that the beneficiary organizations qualified under section 23 (o), and the entity engaged in business was not carrying on the work of the beneficiary organizations. Here the laws of the Church provide specifically that a temporal agency is to act for the ecclesiastical Church. A temporal agency is required to be chartered by the ecclesiastical Church Government, and the charter may be revoked upon whatever terms the Church Government may designate. All property or income received by a temporal agency is to be held in trust for the benefit of the ecclesiastical society of the Church. Thus it is apparent that the Committee is an agency of the ecclesiastical society of the Church for carrying out the latter's

temporal functions; this being so, its commercial activities should properly be ascribed to the ecclesiastical society itself in determining the latter's qualification under section 23 (o). In fact, we have before us little evidence of activities of a purely spiritual nature, as commonly understood, being carried on by the Church. Although the ecclesiastical society was established to administer the spiritual functions of the Church, the Church's principal function seems to have been the various projects supervised by the Committee, which were engaged in different business activities. Cf. Trinidad v. Sagrada Orden, 263 U.S. 578 (1924). This is understandable in light of the fundamental beliefs of the Church, which are not typical in that the emphasis is not on formal religious worship. The Church has no church buildings. Its principal reliance is on having its members live in a manner exemplifying Christ's teachings, particularly by living in a selfless manner. Its student minister training projects, while engaging in commercial activities, were designed to permit the public to witness the application of Christ's teachings to everyday life. Thus the very means chosen by the Church to attain its spiritual purpose involve engaging in commercial activities through its principal temporal agency, the Committee, and we cannot say that the ecclesiastical society was operated exclusively for religious purposes as required by section 23 (o). Consequently the petitioners are not entitled to deductions for contributions for the use of a religious organization.

The respondent has also disallowed the dependency exemptions claimed by Freda Grassmee for her mother for 1948 and 1949. During these years the mother lived with Freda in a Church project and received her support directly from the Church. Freda's theory, we take it, is that part of the earnings she turned over to the Committee was for the support of her mother. There is no evidence that the support received by the mother was conditioned on the making of a contribution or the payment of money by Freda. We think the record supports the claim made in the Commissioner's answer that Freda did not contribute over half of the support of her mother and the Commissioner's claims for increased deficiencies are approved.

Decisions will be entered under Rule 50.

Received August 1, 1955.
Served August 11, 1955.

The Tax Court of the United States
Washington
Docket No. 46978

PEGGY LOU RIKER,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

DECISION

Pursuant to the determination of the Court as set forth in its Memorandum Findings of Fact and

Opinion filed August 11, 1955, the respondent having duly filed a proposed computation in accordance therewith and the petitioner having failed, after due notice, to file a counter proposed computation or to object at the hearing on December 14, 1955, to the computation as made by the respondent, it is hereby

Ordered and Decided: That there is a deficiency in income tax in the amount of $1,404.68 for the taxable year 1948.

/s/ NORMAN O. TIETJENS,
Judge.

Entered: December 15, 1955.

Served: December 16, 1955.

The Tax Court of the United States
Washington

Docket No. 46979

FREDA H. GRASSMEE,

Petitioner,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

DECISION

Pursuant to the determination of the Court as set forth in its Memorandum Findings of Fact and

Opinion filed August 11, 1955, the respondent having duly filed a proposed computation in accordance therewith and the petitioner having failed, after due notice, to file a counter proposed computation or to object at the hearing on December 14, 1955, to the computation as made by the respondent, it is hereby

Ordered and Decided: That there are deficiencies in income tax in the amounts of $84.80 and $25.50 for the taxable years 1948 and 1949, respectively.

/s/ NORMAN O. TIETJENS,
Judge.

Entered: December 15, 1955.

Served December 16, 1955.

[Title of District Court and Cause.]

Docket No. 46978 and 46979

PETITION FOR REVIEW

The above named petitioners, Peggy Lou Riker and Freda H. Grassmee, herewith petition for review of the decisions dated December 15, 1955, in the above-entitled matter (consolidated at the time of trial) which said decisions determined a deficiency of $1404.68 against the petitioner Peggy Lou Riker for the taxable year 1948, and determined a deficiency of $84.80 against the petitioner Freda

H. Grassmee for the year 1948 and the sum of $25.50 for the taxable year 1949 against said petitioner Grassmee, and from the whole of said decisions. Petitioners and each of them declare that they seek said review in the Circuit Court of Appeals of the United States, in and for the Ninth Circuit; state that up to and including 1953 and at all times herein mentioned prior thereto, each of the petitioners was a resident of the City and County of San Francisco, and since 1953 each states that she was and now is a resident of the County of Marin, State of California, and at all times both said petitioners were and now are residents of the Northern District of California, Southern Division, and each filed her personal income tax returns including the returns involved in the above-entitled matter, with the Collector of Internal Revenue, San Francisco, California. The nature of the controversy in the above-entitled matter is the amount of income and deductions subject to personal income tax for the petitioners Riker during the calendar year 1948, and Grassmee during the calendar years 1948 and 1949; that both of the petitions involve the deductibility of gifts by each of the said petitioners to their religious society, Christ's Church of the Golden Rule, up to 15% of their income, said gifts and each of them being exclusively for religious purposes and were paid to the principal temporal agency of said church, to wit, the Elected Delegates Committee of the Ecclesiastical Society of Christ's Church of the Golden Rule; that the matter involv-

ing the petitioner Riker involves in addition thereto, whether said petitioner is taxable for only a proportional share reported for the taxable year 1948, of an activity of the said religious society in the conduct of its religious practices, in the apostolic form covered by Section 101, Subdivision 18, or whether the said petitioner Riker is taxable for the related income, the fruits of the efforts of a group of which she was an official, in the conduct of their ministry and religious practices in said church.

Dated this 13th day of January, 1956.

/s/. HOWARD B. CRITTENDEN, JR.,
Attorney for Petitioners Peggy Lou Riker and Freda H. Grassmee.

HOWARD B. CRITTENDEN, JR.,
Attorney at Law.

Affidavit of service by mail attached.

Filed January 16, 1956, T.C.U.S.

In the Tax Court of the United States

Docket Nos. 46977, 46978, 46979

WOLF H. GROSSHEIM and ORPHA GROSSHEIM; PEGGY LOU RIKER, FREDA H. GRASSMEE,

Petitioners,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

PROCEEDINGS

Courtroom 421, Appraisers Building,
630 Sansome Street,
San Francisco, California:

Tuesday, November 2, 1954.

The above-entitled matter came on for hearing, pursuant to notice to the parties, at 2:00 o'clock p.m.

Before: Honorable Norman O. Tietjens, Jr., Presiding.

Appearances:

HOWARD B. CRITTENDEN, JR., ESQ.,
For the Petitioners.

T. M. MATHER, ESQ.,
For the Respondent.

* * *

MARIAN T. HUFF

was called as a witness by and on behalf of the petitioners, and, having first duly affirmed, was examined and testified as follows:

The Clerk: Will you state your name, please?

The Witness: Marian T. Huff.

The Court: If you will pay attention to the questions that your counsel asks you and try to answer the question as it is asked and in as loud and clear a voice as you can, so we can all understand you, please.

The Witness: All right.

Direct Examination

By Mr. Crittenden:

Q. Mrs. Huff, what is your connection with Christ Church of the Golden Rule?

A. I am Student Minister of Christ Church of the Golden Rule, Mr. Crittenden. [11]

Q. Do you hold any position?

A. Yes, I am Secretary to the Elected Delegates Committee.

Q. Are you a member of that Committee?

A. Yes, I am.

Q. And does that Church operate under the—any particular Constitution or laws?

A. Yes. Our Church is organized under a Constitution and Canon laws.

Q. I see.

* * *

(Testimony of Marian T. Huff.)

Q. (By Mr. Crittenden): I show you here a certified copy of the Church's Constitution and Canon Laws, and ask you if that is the Organic Law of the organization?

A. Yes, that seems to be a complete copy, Mr. Crittenden.

Mr. Crittenden: May I offer this in evidence as the Petitioner's Exhibit next in order?

The Clerk: Well, pardon me. Did I understand there is [12] a stipulation of facts in this case?

Mr. Crittenden: No.

The Clerk: There is not? Well, this is Petitioner's Exhibit No. 1.

Mr. Mather: No objection.

The Court: It will be admitted.

(Petitioner's Exhibit Number 1 was received in evidence.)

Q. (By Mr. Crittenden): Now, under that Constitution and the Canon Laws was there any appointment made as to the Elected Delegates Committee as to what the position of the Elected Delegates Committee was under those Laws and Constitution?

A. The Elected Delegates Committee is a temporal agency of this Church and it functions under a charter from the Ecclesiastical Church Government and as the temperance—the main one for the Church—it handled the Apostolic Community's common treasury.

(Testimony of Marian T. Huff.)

Q. Now, in 1948 did you file an amended return for the organization under the 990 form?

A. Yes, we did.

Q. I will show you a copy. Is that a copy that came from your files? A. That is right.

Q. Now, there was a list—this is complete with these [13] inserts, is it? You may examine them.

A. I believe so, Mr. Crittenden, yes.

Mr. Crittenden: Counsel, we ask if we may have a stipulation to use the copy instead of the Government's original.

Mr. Mather: I have no objection.

Mr. Crittenden: All right. I will offer in evidence as the Petitioner's Exhibit next in order——

The Clerk: This is the amended return?

Mr. Crittenden: That is the amended return for the year ending September 30, 1948, for the Elected Delegates Committee on form 990.

The Witness: Was that for the year 1948 or '49, Mr. Crittenden?

Mr. Crittenden: That is the '48. I will have the '49 in time.

The Court: It will be admitted.

(Petitioner's Exhibit Number 2 was received in evidence.)

Q. (By Mr. Crittenden): Now, at the same time was 1065 return filed for the same period?

A. Yes.

Q. And this is an amended return that I am showing you there. Is that a copy from your

(Testimony of Marian T. Huff.)

files? [14] A. That is correct.

Q. Now, was there a list of names in there in addition to the—— A. Yes.

Q. And how many names appeared on it?

A. Well, in 1948 there were 575, I believe. Let me check just a second. It shows in here. 575 in 1948.

Mr. Crittenden: Now, may we have the stipulation to use this copy instead of the original in the possession of the Government?

Mr. Mather: No objection.

Mr. Crittenden: We will offer this in evidence as Petitioner's Exhibit next in order.

The Clerk: Exhibit No. 3, amended return.

The Court: It will be admitted.

(Petitioner's Exhibit Number 3 was received in evidence.)

Q. (By Mr. Crittenden): Now, there is an amended return by the same Committee for the year ending September 30, 1949, on Form 990, and I ask you if this is a copy from your files?

A. That is correct, Mr. Crittenden. [15]

* * *

Mr. Crittenden: * * * We will offer this in evidence as the Petitioner's Exhibit next in number.

Mr. Mather: No objection.

The Clerk: Petitioner's Exhibit No. 4.

The Court: It will be admitted.

(Petitioner's Exhibit Number 4 was received in evidence.)

(Testimony of Marian T. Huff.)

Q. (By Mr. Crittenden): At this time did you file a form on behalf of the Committee on the Form 65? A. Yes, that was done each year.

Q. And was there a list of names of the members of the group that were attached on the original that was filed? A. Yes.

Q. That is not included in that copy?

A. No, that is not included in that.

Q. How many names were included?

A. 602 in 1949. [16]

* * *

The Court: It will be received.

(Petitioner's Exhibit Number 5 was received in evidence.)

Q. (By Mr. Crittenden): Now, Mrs. Huff, during each of these years did all of the individuals named in these returns file individual returns?

A. Yes, there were individual returns made.

Q. Now, for the year 1948 I show you a photostatic copy of Peggy Lou Riker's return, and I will show you a mimeographed sheet. Was that type of a sheet attached to each one of the returns?

A. Yes, that is the form upon which we reported it.

Q. Now, when I say "each one of the individuals," was that by family groups or by each individual who was named in the complete return?

A. Each individual that is named in the complete return.

(Testimony of Marian T. Huff.)

Q. Well, now, for instance, Peggy Lou Riker had a daughter? A. Yes.

Q. How was that handled?

A. I would have to examine the records to see for certain how that was reported.

Q. There are two returns shown here, two portions? [17]

A. That is right. What I was hesitating about is whether it was by name or by count. Yes, there are two portions there.

Q. So that these were filed by family groups?

A. That is right.

Mr. Crittenden: Now, to keep the record straight, the witness was shown and testified from this photostatic copy of the Riker return. May I put all of these in as one composite return by stipulation?

Mr. Mather: Well, I have no objection to—I think the partnership return should go in as one and the individual returns as another for identification purposes.

Mr. Crittenden: All right. We are going to offer in evidence this photostatic copy which is, as I understand it, the Government's copy in lieu of the original.

Mr. Mather: That is correct.

Mr. Crittenden: Of the return of Peggy Lou Riker, which included in it this mimeographed sheet showing two—one fractional interest reported at $377.39 each, a total of $754.78, and on Page 1 under "Item 3" the sum of "Enter here total

(Testimony of Marian T. Huff.)

amount of your different dependencies on attached memorandum"—$754.78, which is shown on the face of the return.

We are offering that in evidence as the Petitioners' Exhibit next in order. [18]

The Clerk: Petitioner's Exhibit No. 6.

Mr. Mather: No objection.

The Court: It will be admitted.

(Petitioner's Exhibit No. 6 was received in evidence.)

Q. (By Mr. Crittenden): Now, during these——

* * *

Mr. Crittenden: I am offering these with the same stipulation from counsel, these photostats may be accepted in lieu of the originals of the three partnership returns of Mrs. Riker, "Your Foods Fountain."

There are various periods of time from January 20, 1948, to and including June 30, 1948, and these are offered as a composite exhibit next in order.

The Clerk: Petitioner's Exhibit No. 7.

Mr. Mather: No objection. [19]

The Court: They will be admitted.

(Petitioner's Exhibit No. 7 was received in evidence.)

Q. (By Mr. Crittenden): Now, during the years 1948 and '49 did the Elected Delegates Committee have any sources of income?

(Testimony of Marian T. Huff.)

A. Yes, we had sources of income from the application of our training and also from donations and contributions that were made by the individuals, members of the church.

Q. Now, when a donation or contribution or any form of money came in from any project, how was that transmitted?

A. Well, all funds that were accepted by the Elected Delegates Committee had to be released to them on a regular gift form. No. 399 was the number of the form that we used during those two years.

Q. Just as an example I have one here that is signed by Peggy Lou Riker. I will ask you if you can identify that for me.

A. Yes, that is the type of release that the Committee requires on all funds that were turned over for their use.

Q. Did you accept any money without a 399 form? A. No, sir.

Q. Did you accept any money outside of the organization membership itself?

A. Not for use in our ecclesiastical work, no. [20]

Mr. Crittenden: We will offer in evidence as Petitioner's Exhibit next in order, which is a Government Form No. 399, signed by Peggy Lou Riker.

Mr. Mather: No objection.

Mr. Crittenden: Dated January 1, 1948, and, counsel, I gave you a photostat of that.

(Testimony of Marian T. Huff.)

Mr. Mather: Well, I have a copy of it. I don't have a photostat of it, but I have a copy.

Mr. Crittenden: Well, here you are.

The Clerk: Petitioner's Exhibit No. 8.

The Court: Admitted.

(Petitioner's Exhibit No. 8 was received in evidence.)

Q. (By Mr. Crittenden): Now, Mrs. Huff, in this religious organization will you describe the various groups of people as to whether they are in the Apostolic Society or outside so the Court may understand the type of organization it is?

A. Well, in order for the Court to understand the radical way in which this Church functions, I would have to briefly—if I may, your Honor—explain somewhat of the reasons why this church was formed.

There are some aspects of this church that are very like any other church. We have congregations and we have precepts and interrogations of Christ Jesus' teachings, and that is [21] about as far as we can go along the line of what most people consider to be a church.

The reason for forming this church is based upon this:

We believe that one of the reasons the world has failed to find its Heaven here and now as Christ Jesus its way shower said could be done is because for 2000 years all that people have done is to study and talk about the way of life that Christ Jesus

(Testimony of Marian T. Huff.)

came to teach us, that it has never seriously been lived by men of the world in the way that Christ Jesus expected His Disciples and those whom His Disciples taught to follow His teachings.

There would have been no point in founding another church to have steeples and spires and congregations gathering one day a week to have the teachings of The Master explained to them. Heaven knows there are churches enough in the United States and the world that have been trying to do that for centuries, so when this church was formed it was with the idea that its members would make a life of this church, that they would live these teachings in whatever walks of life in which they were asked to serve, and that maybe by actually applying these teachings we would be able to prove all of the premises that the Master Christian made to the world 2000 years ago.

Now, if we can bear that in mind, it will help us to understand how this church functions. One of the laws that [22] Christ Jesus came to give us was this: "That giving does not impoverish, nor does withholding enrich." That is, most of the ills of the world are suffered because man's selfishness and his greed and his desire to get something for himself rather than to give all that he has to glorify his Creator.

If giving does not impoverish, then we call into play a very basic universal law that when one gives with no thought of return there is a multiplication

(Testimony of Marian T. Huff.)

of universal law which takes place that brings back to that person all that he needs.

The Master Christian expressed it this way:

"Why take ye thought for what ye shall eat or drink or wherewithall ye shall be clothed, for Your Father knoweth that ye has need for all these things, but seek ye first The Kingdom of God and His Righteousness and all these things shall be added unto you."

Therefore, anyone becoming a member of the Church does so with the full understanding that it is a way of life, that he goes to Church 24 hours a day, that everything he does, every bit of effort he gives, every bit of material possession he may give will never in return endure to him personally in any form of benefit.

He takes up his studies and begins to learn the very radical interpretation that this Church places upon Christ [23] Jesus' teachings, and his life from then on is dedicated to the Lord's work, and he has just one thing to learn, and that is that he must learn how to give selflessly if he is to accomplish what he came into this Church to be a Minister for.

Predicated upon that, we decided that if we were going to live these teachings, then we would be able to produce a working example of how you take Christ Jesus' teachings and apply them to your everyday life and produce the results that he said could be brought to pass.

He didn't say that you would be taken care of

(Testimony of Marian T. Huff.)

if you did just carpentry work like He did. He said that the law was ever operative, and that it applied to all walks of life, and He chose His Disciples from all walks of life, and he took them through the land to the people in all walks of life.

So He proved it to us that if we were going to live His teachings, it didn't matter what we did with our hands, that Christianity was something to be lived 24 hours a day in everything you do.

So in order to bring our Ministry to the world in a way that they would be able to see how it actually worked, we had to have a cross section of projects, what we call Student Minister Training Projects in which we would permit the public to come in and see us daily as we applied these teachings [24] to whatever we happened to be doing.

That is the principal way in which we promulgate and spread the teachings of our church. Consequently, we have no church buildings, so-called.

Q. Now, Mrs. Huff—— A. Yes.

Q. ——you have given us the outline of those who were working in the ministry. Are there any members of the Church who are not actually engaged in the Ministry?

A. That is the one point, Mr. Crittenden, at the beginning of my remarks I said we were like churches in several respects that we do have congregations. Those congregations are different classifications of membership.

Some of them live in their own homes, some of them have not come in and taken up the study of

(Testimony of Marian T. Huff.)

the Ministry but they contribute their efforts and they study, and they are definitely members of this Church.

But student ministers in this Church who take up this work as a life's work must live in the Apostolic Society, they must dedicate their entire lives to learning how to live this way of life in order that they may be teachers and way showers as was Christ Jesus.

Q. Now, Mrs. Huff, were these people who were not living on the projects holding meetings, or do they hold meetings of any kind? [25]

A. They have meetings in their homes, yes, Mr. Crittenden, and from time to time some of the student ministers in the church visit them and conduct services with them.

They are in close touch with the ecclesiastical part of our work, but they are not required to live under the conditions that student ministers do, and they are not a part of the Apostolic Society, so-called.

Q. Now, among the Apostolic Society, what do you call the groups when they live together?

A. Those are called Student Minister Training Projects.

Q. And where are these located in general terms, throughout the United States or just——

A. At one time we had student minister training projects located throughout California and part of Oregon.

Q. In 1948 and '49?

(Testimony of Marian T. Huff.)

A. In 1948 we still had some student minister training projects in Oregon as well as California.

Q. Were they a part of the Apostolic Society group? A. Oh, yes, yes.

Q. And at this time in 1948 was there a group in San Bernardino? A. Yes.

Q. Where was that located?

A. It was located out on Base Line, East Base Line, San Bernardino. [26]

Q. With Mrs. Riker?

A. With Mrs. Riker, yes. It was known as "Your Foods Fountain."

Q. And was there a group in Hollywood?

A. Yes. We had several in Los Angeles, there was a group in Hollywood.

Q. Was Mrs. Riker—correction—Mrs. Grassmee and her mother a member of any one of those?

A. They lived with the group at Hollywood.

Q. Now, what was the objective of these particular groups that you have described?

I don't mean to go into a broad picture, but what were they attempting to do in each particular group?

A. Well, these student minister training projects were set up, as I said a moment ago, for the purpose of making it possible for the student ministers to express and live in their daily activity the teachings of their church.

Q. Did they come in contact with the public in these places?

A. Many of them did. At that time we had a

(Testimony of Marian T. Huff.)

number of projects where that condition existed, and we established them primarily for the purpose of being able to more widely disperse and promulgate our teachings by having the public come in direct contact with our student ministers in training.

Q. Now, were there places like, for instance, San [27] Bernardino, where any particular applications were undertaken to the public of these teachings? A. Oh, very definitely.

Q. Well, where was that done in San Bernardino?

A. That was at "Your Foods Fountain" on Base Line just outside of San Bernardino.

Q. How was that formed originally?

A. Well, as I recall, Mr. and Mrs. Riker were in business in San Bernardino, and they disposed of that business and took the fixtures from it and purchased this property out on East Base Line and built up the student minister training activity there.

Q. Approximately how many people were there in 1948, or, say, from September, 1947?

A. Conservatively, I would imagine at least twelve, maybe more; but I am sure there was at least a dozen student ministers there.

Q. Now, was there any income to the Committee from that activity?

A. All of the proceeds from that activity, yes, came to the Elected Delegates Committee of Christ Church of the Golden Rule.

(Testimony of Marian T. Huff.)

Q. And how was it received in this particular form?

A. It was released by Mrs. Riker, as the operator of that activity, to the Elected Delegates Committee on form [28] 399.

Q. Was that all the gross receipts up to January of 1948?

A. Oh, yes, yes. There was an account. Our banking arrangement is this:

The returns from any student minister's occupation went into an Elected Delegates Committee bank account as a deposit, and no funds were ever withdrawn from that locality; and then what we call the "revolving funds" which were established by the Ecclesiastical Church Government, to meet the expenses of the Apostolic Society came to the local groups under a project account from which they could withdraw the funds and meet their expenses, but this was—there was never any commingling of the two.

All receipts came directly into the church treasury and then were disbursed from the main treasury to the student administrative training projects.

Q. Now, for instance, when "Your Foods Fountain" had expenses did they pay those expenses themselves before they remitted the money to you, or how was that done?

A. The funds are entirely separate, Mr. Crittenden. The returns from the cafe, en toto, were deposited to the Elected Delegates Committee account.

(Testimony of Marian T. Huff.)

The Church Government established a budget on which the local group lived, and that was handled in a project account, and from time to time was reimbursed as they sent in their [30] expenditures to the main treasury. The funds for their net expenses were returned to them.

Q. How about the expenses of purchase of ice cream and foods that were sold to the public, where was that paid for?

A. That was paid out of the business operation of the project.

Q. Now, then, there were two funds that were put into this revolving fund, one was the living expenses of the group; is that right?

A. That's right.

Q. And who determined that amount?

A. The ecclesiastical church government determined that upon the number of persons residing there.

Q. Now, for instance, take a typical month in the year 1947-'48. What was the amount that was transmitted to this particular group of a dozen people?

A. I would have to check the records on that, Mr. Crittenden. At this date there are so many years elapsed in there, but it is—I will say this: It was as nominal as it was possible to make it because of the very nature of our ministry.

Our people were not giving of their services or dedicating their lives to this ministry for what would be spent upon them, and consequently the

(Testimony of Marian T. Huff.)

Canon Laws only provide for [31] minimum and bare necessities in order to make it possible for the students to take their training.

Q. What was the average expenses spent on students?

A. From the E.D.C. returns and other tax matters I believe the average tax figure over the years runs between $17 and $20 per individual per month.

Q. And that covered all living expenses?

A. That's right.

Q. Food, clothing; how about doctor bills?

A. Yes, sir, medication.

Q. How about tooth paste and shaving cream?

A. Right.

Q. Everything that a person spends?

A. That's right.

Q. Now, in the group that Mrs. Grassmee lived in, did they conduct any business? A. No.

Q. Why was that?

A. That was purely a residential training project.

Q. Now, when the church sets up a project, what is the considerations they took into account?

A. The principal one in setting up any project is how it will best train ministers and spread the teachings of the church. That does not always mean what is referred to as a business operation at all. [32]

Those projects are established primarily for the opportunity it will give to train the students and to spread those teachings to the public.

(Testimony of Marian T. Huff.)

Q. Are some of them run at an actual loss for the operation?

A. Oh, yes. All your residential—all your residential training projects would be that. For several years we had a very large theological seminary in the City of San Francisco that produced practically no revenue at all, and was definitely an expense to the ecclesiastical church government, but it was necessary in order that we might carry on our ministry and conduct our training courses.

Q. Well, how about maintaining or continuing one of these projects, what are the considerations?

A. Solely whether or not it was serving the purposes of promulgating the Church's teachings and its ministry.

Q. Now, you referred to a ministry study or students. What are these student ministers? Are they studying for any particular purpose?

A. Well, they are in this crusade primarily to become ministers of this gospel, and be able to go out and conduct and handle this ministry in spreading the teachings of this Church.

It is a very rigid course of training and a very explicit course of training in that it is not just one of theory. [33]

We have our regular theological work, and from that each day we go into what the ordinary college would call laboratory work. We take our teachings that we have been given that day and our interpretation of them, and from that we take it into every walk of life we may be asked to serve in that

(Testimony of Marian T. Huff.)

day, and to learn how to bring those teachings into whatever we may be doing.

Q. Now, Mrs. Huff, on the fiscal year 1947-'48, were all of the gross receipts of "Your Foods Fountain," run by Peggy Lou Riker, reported in the 990 return? A. As far as I know, yes.

Q. And how about the 1065 return?

A. Yes.

Q. And that would be included in which particular item of the 1065 return which is in evidence?

A. I think I have a copy of it here. In your 1065 return your "Application of student minister training" totals $347,489.99.

Q. And whatever was gross receipts in her conduct of that project is one of the items that make up that total?

A. It is included in that total, yes.

Q. Underneath there there is "Contribution to gifts," $137,491.00. How about Mrs. Riker—correction—how about Mrs. Grassmee?

A. Mrs. Grassmee is included in that figure, Mr. [34] Crittenden. Mrs. Riker's are probably included in both figures because of the difference in the type of operation down there.

Q. When it was a partnership operation, how would it have been shown?

A. It would have been a contribution.

Q. It would have been a contribution?

A. And when it was being used as a Student Minister Training Project, then the returns would

(Testimony of Marian T. Huff.)

show under "Student Application of Student Minister Training."

Q. Now, there were expenses of the living of the various students. Could you tell me where that appears on any of these returns?

A. Yes, that appears on page 2, Mr. Crittenden, of your insert.

Q. Can you give me that amount for the year 1948?

The Court: Insert attached to which form?

Mr. Crittenden: That is the form——

The Witness: 1065.

Mr. Crittenden: 1065. For your Honor's information, the inserts in 1065 and 990 are identical. [35]

* * *

Q. (By Mr. Crittenden): Could you give me the total amount?

A. The total amount, for instance, of maintenance of personnel is $172,890.47. That is just one item. All of the items totaled there amount to $202,347.04.

Q. Now, that is the total expenditure for how many people?

A. For the year 1948 that would be 575 persons among whom that was divided.

Q. Now, this breakdown includes clothing, eye glasses——

A. Food, household expenses, medical, personal incidental obligations, insurance, maintenance of household equipment.

(Testimony of Marian T. Huff.)

Q. Now, there were expenses of operating the project, like purchasing ice cream to be sold from this—from "Your Foods Fountain." Where would that appear in this return?

A. That would be under "Materials and supplies" on page 1.

Q. That is page 1 of the insert?

A. Right.

Q. And that is an item of $54,854.25?

A. Right.

Q. That covers all of the projects, does it? [36]

A. Yes.

Q. Now, I notice there are salaries and wages. What does that include, this $21,000?

A. There were outside personnel we had to employ in some of our activities. We had no persons trained or skilled in that type of work, for instance, and we needed outside assistance, or we were short of personnel along different lines, so we had to hire some outside help.

Q. Now, that is, no part, or was any part of that paid to anybody in the religious society?

A. No. Under our Canon laws, that is strictly prohibited.

Q. Has any written authority ever been given for that? A. Not to my knowledge, no.

Q. Now, I notice "Publications and schools." What does that cover?

A. Well, we conduct and support an entire academic school structure from kindergarten through

(Testimony of Marian T. Huff.)

high school in conjunction with our ecclesiastical training.

All of our children go to our own school, and our religious publication work is very similar to that which is carried on by any regular church in that we publish our precepts in written form and distribute them through subscriptions and also free contributions, and distributions are made to the public. [37]

Q. Are there some that are just given to the members only?

A. There are courses of training which compile and edit and publish, which we publish ourselves, of course, which cover our entire ecclesiastical training courses.

Q. For the year 1949 would your answers be the same as to the——

A. That is true. Our method of procedure has not varied since our church was formed nor our constitution and Canon laws. None have been amended, so there would be no difference in our operation in 1949 and 1948.

Q. Was there any attempt by the church to have its student members solicit money outside these gifts from the public?

A. We solicit no contributions, none whatsoever.

Q. And is there an effort to make the ministry as self-supporting as possible?

A. That is one of the tenets of our teaching, according to our law. Giving does not impoverish if the individual complies with that law, then the

(Testimony of Marian T. Huff.)

law takes care of his needs and there is no necessity of making solicitations or asking for contributions to maintain your ministry.

Q. Now, about the living quarters, is there any control that you have or does the religious organization direct what quarters should be used for the student minister? [38]

A. The Elected Delegates Committee as a temporal agency for the church has the responsibility for operating and handling the property of the ecclesiastical government after it has been designated by the ecclesiastical government as to what it shall be used for and where. The Committee does not determine that, no.

Q. So the senior Elder and the——

A. Church government staff.

Q. ——and the Advisory Board give directions to you? A. That is right.

Q. Now, about the support of individuals, do you, as a member of the committee determine how much you would provide or pay to a particular group, say, like the San Bernardino group where Mrs. Riker lived?

A. That is determined by the church government, also, Mr. Crittenden. We carry out their instructions on that point.

Q. They determine under the Canon laws how much you should pay and then it is upon that determination you make the payment?

A. That's right, and we were held responsible to them for carrying out those instructions.

(Testimony of Marian T. Huff.)

Q. Now, suppose one project did make considerable money and turned it in under Form 399, would they live any better than another project that didn't make expenses in their particular activity? [39]

A. Why, no, because all student minister training projects function on a budget as far as their living expenses are concerned.

You couldn't because you would have a project that had no income and consequently they would sit there with nothing to live on.

Q. Does it sometimes happen that the church government designates more for living expenses than the committee actually receives for income in that same period?

A. That happens constantly with projects that don't produce income.

Q. How about the overall picture?

A. The overall picture? The only way you can have any equality is to have it operated as we do, all of the funds coming into the main treasury and then the expenses of living for the students is taken care of through budget appropriations.

Q. Do you cover deficits of living expenses from property that you hold for the religious society?

A. Very definitely.

Q. And if there is more, what do you do with that money?

A. It is the desire of this church, in spite of the obstacles and handicaps that have been thrown in its path, and it is a very young church, it is our

(Testimony of Marian T. Huff.)

purpose to have any excess income that is derived from the application of [40] any student minister training to establish more facilities so that we can increase the opportunity for persons to come and learn how to live our way of life, too.

Oh, everything that we can—everything that we can get in excess of what is necessary to carry on our ministry goes for additional facilities.

Q. And then if there is, we'll say, a profitable accounting period or year involved, the people don't just have a better living standard?

A. Absolutely not. That is not what they are in the ministry for, that isn't the purpose for this ministry.

Q. You would have no control over that?

A. Absolutely none.

Q. That is done by the church government?

A. That is right.

Mr. Crittenden: Now, may I have those forms?

Q. (By Mr. Crittenden): When those difficulties arose in 1947, the claim to this property, what was the claim made by the trustees in bankruptcy?

A. I don't follow your question. I didn't get the first part of your question, Mr. Crittenden.

Mr. Crittenden: I will withdraw the question.

Q. (By Mr. Crittenden): In May of 1947, did you as a member of a committee [41] make any agreement with the trustees in bankruptcy of the corporation that was in bankruptcy at that time as to the purpose of "Your Foods Fountain"?

A. Oh, yes. During the time that the church was

(Testimony of Marian T. Huff.)

in bankruptcy there was an order issued by the Judge that the bankruptcy trustee should cease to operate the church, and that the ecclesiastical body, as such, would have to take care of it, and then, of course, that raises the question of these various student minister training projects which were engaged in serving the public having to be—well, what shall I say—having to have some agreement reached between the bankruptcy trustees and the ecclesiastical body as to how they should function and how this income should be handled.

Q. I show you here "Petition for authority to execute operation agreement re 'Your Foods Fountain' and for approval of said agreement."

A. Yes. At that time the bankruptcy trustees could no longer handle the business there as they had been doing it under the provisions, so we had to come to an agreement with them as to future operations of the business.

Q. And this was an order made on the basis of that petition? A. That is correct, yes.

Q. This is a copy of the order?

A. That's right. [42]

Mr. Crittenden: Now, these are copies. Will you stipulate that they may be used instead of the originals?

Mr. Mather: Yes.

Mr. Crittenden: I will offer in evidence as Petitioner's Exhibit next in order the Petition and the Order both filed in May of 1947 in the District Court of the United States, Southern District of

(Testimony of Marian T. Huff.)

California, Central Division, in this proceeding of Christ Church of the Golden Rule, a corporation.

The Clerk: That will be Petitioner's Exhibit No. 9.

Mr. Mather: No objection.

The Court: It will be admitted.

(Petitioner's Exhibit No. 9 was received in evidence.)

Q. (By Mr. Crittenden): I show you here a "Petition for Approval and Confirmation—Return of Sale for Personal Property re 'Your Foods Fountain.'"

Will you explain what the occasion for that one was?

A. Oh, that was the final disposition or agreement that we reached with the bankruptcy trustees as to the disposition of the property down there.

Q. Now, they stopped operating as a project in January of 1948, and I see this was not until July of 1948 that the Order of Confirmation of that agreement was made. What was the reason for that? [43]

A. During that time, Mrs. Riker functioned with a partnership arrangement in San Bernardino.

Q. Why was that done?

A. Because we expected the property to be sold, and as such it was no longer suitable for our student minister training project, so we withdrew our students from the property and placed them in other projects to continue their training.

Mr. Crittenden: I will offer in evidence as Pe-

(Testimony of Marian T. Huff.)

titioner's Exhibit next in order—first, I will have your stipulation that we may use copies.

Mr. Mather: Yes.

Mr. Crittenden: ——the Order and Petition and the return of sale of "Your Foods Fountain" by the trustees in bankruptcy.

Mr. Mather: No objection.

The Clerk: That will be Petitioner's Exhibit No. 10.

The Court: It will be admitted.

(Petitioner's Exhibit No. 10 was received in evidence.)

Q. (By Mr. Crittenden): There is a note for $1500 involved in that? A. Yes, sir.

Q. Who executed that note?

A. The Elected Delegates Committee. [44]

Q. You were one of them? A. Yes, I was.

Q. Who paid that $1500?

A. The Elected Delegates Committee.

Q. And when was "Your Foods Fountain" eventually sold?

A. I believe that transaction was finally completed in 1949. I am not sure of the date, now.

Q. Well, who received the proceeds when it was sold in 1949?

A. The main treasury of the church, the Elected Delegates Committee accountability.

Q. Mrs. Riker did not receive it?

A. Oh, no.

Q. Now, Mrs. Riker during the year 1948 had a

(Testimony of Marian T. Huff.)

daughter? A. That is correct; yes, sir.

Q. How old was her daughter?

A. Oh, in 1948 Linda was, I guess, 6 or 7, something like that.

Q. And where did she live during this time?

A. She lived with her mother.

Q. And that was down at this——

A. In San Bernardino, yes, at the student minister training project.

Q. There were others living on the project, were there not? [45] A. Yes.

Q. Did they live together in a group?

A. Yes, they lived in a group as part of the Apostolic Society.

Q. Those were also——

A. Student ministers; that's right.

Q. Now, Miss Grassmee, she had a mother?

A. Yes. Her mother lived with her in the group that lived in Hollywood.

Q. How old was her mother at the time?

A. Oh, she was in her late 70's.

Q. Do you know how old she is now?

A. I think she is 84 or '5 now.

Q. And she was unable to work at all?

A. You mean——

Q. Physically do anything?

A. Physical work?

Q. Yes.

A. Well, not—she couldn't express her application in that form, Mr. Crittenden, but she was a

(Testimony of Marian T. Huff.)

very active student minister, but she could not do physical work, no.

Q. Is she an official in the church in any way?

A. No.

Q. And during that year of 1948-'49 where did she live? [46]

A. The mother of Mrs. Grassmee?

Q. Yes.

A. She lived with Miss Grassmee in the group in Hollywood.

Q. And was Miss Grassmee in a position to do her part of the household work in that group?

A. She was able physically, yes.

Q. Did she do any?

A. It depended on what she was asked to do, where her duties lay and what form of application she was asked to make.

Q. Do you know what she did at that time?

A. A great deal of her time she worked as a bookkeeper and accountant for the bankruptcy trustees.

Q. That is Miss Grassmee, you mean, but I mean her mother. What did she do?

A. Her mother? She took care of her training and the studies on the project.

Q. Was her mother able to do any of the, say, work in the kitchen or around the quarters?

A. No, she didn't do much of that type. She did some, but she didn't do much of that type of thing.

Q. That was because of what reason?

A. She wasn't physically able. She was along

(Testimony of Marian T. Huff.)

in years. There were other things she could do that were much better within her scope. [47]

Q. Now, were all of the needs of these various individuals like Miss Grassmee and her mother met from this common community treasury?

A. Yes, sir, they were. That is another way in which our church differs so radically from most churches who are training students for the ministry.

Just as Christ did not choose His Disciples from the educated walks of life or from a certain age bracket, or from a certain technically trained professional group, neither do we choose our student ministers.

Anyone who comes and is willing to dedicate their life to this ministry and learn how it is done and how to live it is afforded an opportunity to do so.

Q. Now, about Mrs. Riker, was her and her daughter's expenses entirely paid by this common community treasury?

A. That's right. As long as they were members of the Apostolic group, their minimum expenses were taken care of.

Q. Did they have any source of income other than the Apostolic Society during that period of time?

A. Not that I know of, no. She is what we call a full time student minister, and was at that time, and her entire efforts were dedicated 24 hours a day to carrying on the application and teachings of her ministry.

(Testimony of Marian T. Huff.)

Q. Well, now, she had her daughter with her. Was her daughter also at the age of 6 years undertaking this ministry? [48]

A. Our student minister age bracket, as far as membership is concerned, Mr. Crittenden, starts when a child is fifteen years of age.

Q. And——

A. I would like to qualify that, though, by saying we do have our ecclestiastical work as part of our academic work so that our children begin to learn the ministry of this church from the time they are old enough to walk and to go to school.

Q. Is there any provision in any of the church regulations or laws as to caring for the dependents of those who are engaged in the church work?

A. Yes. That is provided for in the canon law that makes it possible for the needs of the student ministers to be met by the Apostolic Society common community treasury.

It would be utterly impossible for anyone to take up this course of training as we give it and dedicate their full time to it unless some provision could be made for their responsibilities. That is the reason why the common community treasury is authorized to make payments for the bare minimum necessities of living so that the students may devote their full time to it.

Q. Is there any expenses paid to individuals who live in the society by payment of cash to them?

A. No. At one time we found in the course of our [49] administration that because of the tremen-

(Testimony of Marian T. Huff.)

dous volume of bookkeeping we required on such small details as personal incidental expenses that it was better to have it taken care of through cash credit cards so that the individual could take care of such small purchases as toothpaste and things of that kind, but our financial circumstances made it impossible for us to even continue that in cash.

Q. During these years of 1948 and 1949, was there a cash fund used for those petty purchases?

A. I believe there was, Mr. Crittenden. I would have to check the records to be sure of that. I am not just sure in my mind when the card situation was inaugurated.

Q. How much did that involve per individual?

A. The sum of $5.00 per month.

Q. $5.00 per month? A. Yes.

Mr. Crittenden: That is all I have.

The Court: We will take a recess for about 10 or 15 minutes. [50]

* * *

Examination by the Court

Q. That is, she turned the gross receipts over to the church?

A. That is correct. That is why I qualified my answer because I am not sure how it was handled during the partnership. She turned over her portion for her operation of the business.

(Testimony of Marian T. Huff.)

Redirect Examination

By Mr. Crittenden:

Q. Prior to the partnership, while it was a project of the church?

A. That is right.

Q. Now, there was a list of names asked you here. In each one of those was the entire gross receipts deposited with the Committee in gift form?

A. That is right. If I am in error on that, Mrs. Riker will correct me.

Q. And the entire gross receipts are shown in the various returns for the various agencies?

A. That is correct, and I would like to add this by way of explanation. During the portion of the time that the cafe itself was operated as a partnership and was not a student minister training project and activity there [59] was a group living together carrying on their ecclesiastical work.

I want that clearly understood that at no time was Mrs. Riker or any of the student ministers that were living with that group ever separated from their ecclesiastical work.

Q. And where did they live?

A. They lived on a ranch some distance from the business property, and their project activities were carried on there as a student minister training project.

Q. Now, in 1948 there were a number of groups then spread throughout——

(Testimony of Marian T. Huff.)

A. Oh, yes, sir.

Q. ——California and Oregon? A. Yes.

Q. Now, for instance the Ace Iron Works, was that one where the money that was deposited under the 399 form as gross receipts far in excess of the actual costs of—— A. That's right.

Q. That the Committee reimbursed?

A. Everything that was earned, everything that was the by-product of the application of our teachings was given en toto to the Church. It inured to no individual benefit in any way, shape or form.

Q. Now, did each one of these particular [60] projects have their own revolving account?

A. That is correct, they had their own budget.

Q. How about their living expenses, was that set by your committee?

A. No, that is set by the ecclesiastical church government and administered by the Committee.

Q. And the budget was set then by the Apostolic Society? A. That is correct.

Q. Suppose a person was, say, living in Petaluma, would their living expenses be the same as those living in Santa Barbara?

A. You will find that all living on all projects varied very little, very little indeed.

Q. Now, some of them raised their own food. Was that taken into consideration?

A. Some of the ranches raised their own vegetables, and so forth, on the ranch, but that was taken into consideration in the amount of their budget.

(Testimony of Marian T. Huff.)

Q. Well, a reference is made here to a, for instance, a sawmill. Was that lumber also sold to the public, or was their other uses made of it?

A. Oh, no, that depends. Some of the time we used it for our own use. We built our own buildings and manufactured our own lumber with which to do it. We carried on— [61] in other words, one of the premises of the church is we tried to be as self-sufficient as possible as well as being self-supporting.

Q. There were references made here to certain locations where you would say, "Well, that is a residence." A. That is correct.

Q. Does that mean there was no project activity where the public was met and there was a gross income in the form of these 399 forms?

A. There was no contact with the public through public service, Mr. Crittenden.

Q. How would they have contact, then?

A. There are various ways in which we had contact with the public as we would go about our daily affairs, but we were not serving the public in our residential units.

Mr. Crittenden: That is all.

Mr. Mather: That is all.

The Court: That is all.

The Witness: Thank you.

(Witness excused.)

Mr. Crittenden: I would like to call Miss Grassmee.

FREDA H. GRASSMEE

was called as a witness by and on behalf of the Petitioners, and, having been first duly affirmed, was examined and testified as follows: [62]

The Clerk: Will you state your name, please?

The Witness: Freda H. Grassmee.

Direct Examination

By Mr. Crittenden:

Q. Mrs. Grassmee, during the year 1948—I will show you and ask you if this is the return that you filed for that year? A. It appears to be.

Q. And I will show you this form for the year 1949 and ask you if that is a copy of your return?

The Court: Speak out loud so the reporter can hear you, please.

The Witness: Yes, sir.

Q. (By Mr. Crittenden): Is that a copy of your return for the year 1949? A. Yes, sir.

Mr. Crittenden: I will offer this in evidence as the Petitioner's Exhibit next in order with the stipulation of counsel that a copy may be used instead of the original.

Mr. Mather: No objection if they are offered separately.

Mr. Crittenden: Well, then, I will offer first Miss Grassmee's return for the year 1948.

The Clerk: That is Petitioner's Exhibit 11.

The Court: Admitted.

(Petitioner's Exhibit No. 11 was received in evidence.) [63]

(Testimony of Freda H. Grassmee.)

Mr. Mather: O. K.

Mr. Crittenden: And for 1949 as the next one.

The Clerk: Petitioner's Exhibit No. 12.

Mr. Mather: No objection.

The Court: Admitted.

(Petitioner's Exhibit No. 12 was received in evidence.)

Q. (By Mr. Crittenden): Miss Grassmee, during the years 1948 and '49, where were you employed?

A. In the office of Paul W. Sampsell, Los Angeles.

Q. And did you receive a salary?

A. Yes, I did.

Q. And when you received a salary, what did you do with it during those two calendar years?

A. Ordinarily that was turned over to the Elected Delegates Committee as representing my part of the ministry.

Q. Now, I will show you one of these form 399's. Did you use those at the time you turned it over?

A. The same forms.

Q. And you would fill it out in triplicate: is that right? A. Yes.

Q. And you would forward two copies with it?

A. That's right. [64]

Q. Did you send the pay check, or did you cash the pay check?

A. Sometimes I sent the check, sometimes I cashed it.

(Testimony of Freda H. Grassmee.)

Q. Now, that was the earnings that you showed in your returns. Was the money that you obtained from your employment with Mr. Sampsell and Butner—was it Sampsell alone?

A. It was Sampsell alone.

Q. ——and that money was transmitted in the sum shown in the return to the Committee?

A. Yes.

Q. Now, during that time, where did you live?

A. During that time, well part of the time at the Homestead Building.

Q. Well, do you remember when it was you left the Homestead Building?

A. In—late in the year, I think, of 1947. That would have been during this period at the Carlton Way.

Q. How long were you at the Carlton Way?

A. Until August of 1949.

Q. Then where did you go?

A. San Francisco.

Q. Now, when you joined this Church, were you living with your mother? A. I was.

Q. How old is she now? [65] A. '84 or 5.

Q. And when you joined the church, who was supporting her? A. I was.

Q. And what had her occupation been before that?

A. Prior to the time she lived with me, she had been a linotype operator and proofreader.

Q. Now, in 1948, during the entire year, where did she live? A. She lived with me.

(Testimony of Freda H. Grassmee.)

Q. And in 1949 where did she live?

A. All the time with me.

Q. And when you moved from Los Angeles to San Francisco, what did she do?

A. She came with me.

Q. Now, you claimed her as a dependent?

A. I did.

Q. And was your mother any official in the church? A. Never.

Q. Did she ever take any interest in the religious teachings?

A. She taught studies, as did all of us.

Q. And she lived with you? A. Yes.

Q. On these particular projects where did she live? [66] A. She was with me.

Q. Now, on these projects, say, at the Homesteaders Building, was there any business or activity with the public, any commercial activity of any kind? A. None.

Q. And Carlton Way, what was that?

A. That was purely residential.

Q. And approximately how many were at Carlton Way while you were there?

A. Oh, from eight to twelve, I would say. The number varied.

Mr. Crittenden: That is all.

Cross-Examination

By Mr. Mather:

Q. Was Paul Sampsell an attorney down in Los Angeles? A. Yes, he was.

(Testimony of Freda H. Grassmeer.)

Q. And you worked the entire years of 1948 and '49 for him? A. I was in his office.

Q. In what capacity?

A. As bookkeeper or just general office work.

Q. During both of those years, did the Church furnish the support for your mother?

A. Yes, as it did for all of us. We were—those of us who turned in our salaries as a part of our ministry shared [67] equally.

Q. So your mother received the same support from the Church that you did in both of those years? A. The same as I did.

Mr. Mather: That is all.

Mr. Crittenden: That is all.

The Court: That is all.

(Witness excused.)

Mr. Crittenden: I would like to call Mrs. Riker.

PEGGY LOU RIKER

was called as a witness by and on behalf of the Petitioners, and, having been first duly affirmed, was examined and testified as follows:

The Clerk: You are Peggy Lou Riker?

The Witness: Yes.

Direct Examination

By Mr. Crittenden:

Q. Mrs. Riker, you are one of the Petitioner taxpayers on this case? A. Yes, I am.

(Testimony of Peggy Lou Riker.)

Q. And in September, 1947, through the year until September, 1948, where did you live?

A. I lived in San Bernardino.

Q. Now, there is reference to "Your Foods Fountain." Had you and your husband been engaged in business prior to [68] joining the church?

A. Yes, we had.

Q. And what was the business?

A. We had a drug store in partnership with his parents.

Q. And when you joined the church, did you take any—make any arrangements about the business?

A. Yes, we did. We dissolved our partnership, and my husband and I took the fixtures from the business, and we made the cash settlement with his parents.

Q. And were there others of the Church group that came and lived with you and your husband in a project at San Bernardino?

A. Yes, there were.

Q. And what did this group do with those fixtures?

A. We worked together to set up the project known as "Your Foods Fountain."

Q. Now, during 1948, what did you do—correction—during the period from September, 1947, to and including January of 1948, what did you do with the gross receipts from that activity of that project?

(Testimony of Peggy Lou Riker.)

A. I took them all over to the Elected Delegates Committee.

Q. Now, I show you Petitioner's Exhibit No. 8, and ask you to tell me what that is. [69]

A. That is the release form for all funds from the operation of the Student Ministers Project.

Q. Now, can you tell me what period this is for?

A. Well, I couldn't give the exact number of days that that would be from, but this is January 12, 1948. Whether it would be a week's income or not, I couldn't say right now.

Q. And it represents $550.00; is that correct?

A. Yes, it does.

Q. Now, Mrs. Riker, was this money the difference between what was taken in and the expenses of operation? A. No.

Q. Or was it the total gross receipts?

A. It was the total gross receipts.

Q. And who carried the license in which this activity was conducted? A. Valid.

Q. It was in your name?

A. Yes, it was in my name.

Q. As an individual?

A. Yes. There had to be someone who operated the business. It was in my name.

Q. Now, explain to the Court what your position was in the Church. Did you have any official business at that time?

A. I was known as a Project Manager for the Church [70] projects.

(Testimony of Peggy Lou Riker.)

Q. And did that involve any duties of instructing, or teaching, other—teaching the others on the project?

A. Yes, it did. All ecclesiastical work, studies, came through me, and I instructed the group.

Q. Approximately how big was the group during this period of time?

A. It was between 12 and 17. I can't be sure right now, it has been so long ago.

Q. Now, they all lived together? A. Yes.

Q. And how would the expenses of this—how were the expenses of this fountain handled?

A. Well——

Q. You had to buy ice cream, and pay P.G.&.E. bills, and pay sales tax. How did you do that?

A. Well, we were operating a church project. Therefore, all of the proceeds from that activity of demonstrating our ministry went into the ecclesiastical—went into the elected Delegates Committee, and we were set up on a budget to take care of the expenses of that activity.

Q. Well, now, you had purchased—suppose you had purchased so many gallons of ice cream for sale through this project. How would that be audited or reimbursed later on? [71]

A. You mean during the period where the gross receipts were sent in?

Q. From September of 1947 to and including January of 1948.

A. That would be on material and supplies for operating that particular project sent in to the

(Testimony of Peggy Lou Riker.)

Elected Delegates Committee and entered into their books.

Q. Would you be reimbursed for any expenses that were paid out of the project funds?

A. There were two accounts, one for operating expenses of the business as a project activity, and the expenses for the group which was on a budget; and we were reimbursed through the elected Delegates Committee.

Q. Now, for instance, the expenses of this project we'll say the P.G.&E. bill for "Your Foods Fountain," how would that be paid?

A. It would be paid from the account for the business.

Q. And how would you replace that account after you paid that bill? You drew that from the Elected Delegates Committee, didn't you?

A. Yes, from that revolving fund, yes.

Q. Yes, but you had to replace the revolving fund. Who gave you that money?

A. The Elected Delegates Committee deposited it to me. [72]

Q. How often did they give you money for your revolving fund?

A. I believe at that time it was weekly.

Q. And did you submit your bills, and receipts and expenditures to the Committee?

A. Yes, I did.

Q. And they would reimburse you to the extent shown; is that right? A. Yes.

Q. Now, as to living expenses, could you tell

(Testimony of Peggy Lou Riker.)

me how much that ran for that group during this period of time?

A. Well, it was very low because we raised some food from the ranch, and I believe at that time there were between twelve and seventeen persons. If I remember correctly, it was something around $85.00 a month.

Q. Was that for a person or for all of the group?

A. That was for the whole group's expenses.

Q. And did you have to pay for your living expenses out of that?

A. The whole group was taken care of out of that amount.

Q. How about your daughter?

A. Yes. Her subsistence came from that, too.

Q. Your daughter needed some clothes. Where did that come from? [73]

A. It came through—from that budget.

Q. This sum of $80.00 a month; is that correct?

A. Yes.

Q. That wasn't a lot of money per person, was it?

A. No, it wasn't; it was very small.

Q. Now, the Trustees in Bankruptcy, made an agreement with you under which you listed the premises, that is, the one that was put in evidence, wasn't it? A. Yes, that's right.

Q. That was the Petition in 1947, wasn't it?

A. Yes.

Q. Then the purchase of the property of "Your

(Testimony of Peggy Lou Riker.)

Foods Fountain" from the Trustees in Bankruptcy was made by whom?

A. By the Elected Delegates Committee.

Q. And they signed the note, did they?

A. Yes.

Q. And they paid the money? A. Yes.

Q. And in 1948 did you anticipate that the business would be sold by the Committee?

A. Yes.

Q. And that the agreement would be reached with the Trustees in Bankruptcy so that the title could be cleared? A. Yes, that's right.

Q. And that is when the project ended as such; is that [74] correct? A. Yes.

Q. Now, how did you run the business then from January in 1948—we'll say for the next six months?

A. That is when the partnership started, I believe the first partnership.

Q. Let's find out when the first partnership was.

A. There were so many different arrangements it is awfully hard for me to follow those dates.

Q. I show you the first partnership return, January 20th to April 30th. Who were the partners that were with you?

A. This is very faint here. Martha Smallwood was my—one of my sisters, Harriet Berry and Ruth Farlow, they were my sisters, too, who came in to help me until the sale of the project took place—or the business.

(Testimony of Peggy Lou Riker.)

Q. Now, how were the funds handled? Did any of this go into the Elected Delegates Committee?

A. All of my share of the partnership went to the Elected Delegates Committee.

Q. Where did you live at that time?

A. On the ranch in Highlands, which is just a short distance from the cafe.

Q. It was run as a private business, then, while it was attempting to be sold? [75]

A. Yes, it was. Other than my share, which went to the elected delegates committee.

Q. Now, on May 1st to May 30th you had another partnership. That was just a change in personnel, was it?

A. Yes, one of my sisters remained for a short time there, Ruth Farlow, and then another lady by the name of Lorraine Crittenden came in.

Q. No relation of mine, is it any relation of yours?

A. I don't know, could be. No, she is no relation of mine.

Q. Each of the partners received a share of the profits? A. Yes.

Q. What did you do with your profit?

A. Sent them to the Elected Delegates Committee.

Q. Now, from June first to June 30th was there any change in the partnership?

A. No. Well, my sister withdrew at that time and that left myself and Lorraine Crittenden.

(Testimony of Peggy Lou Riker.)

Q. Now, after June 30th until September of 1948, how was the business conducted?

A. I believe that was on a percentage basis with this Mr. Tobin who expected to buy the business.

Q. And he was an intended purchaser?

A. Yes, he was.

Q. As soon as you could get the matter cleared up? [76]

A. Yes, as soon as the title could be cleared he expected to purchase the business, yes.

Q. Now, what did you do with your share of the money in that operation?

A. My share at that time also went to the Elected Delegates Committee, all of it.

Q. Do you know how much it was?

A. It was very small. At that time, clearing the title and with everything, the expenses were so great that there really wasn't very much left to divide, and I gave him the benefit of the greater portion because of these expenses that occurred because of the title.

Q. And that accounts for the balance of that year? A. Yes.

Q. During that time, did your daughter live with you? A. Yes, she did.

Q. How old was she in 1947 and '48?

A. She was seven, seven and eight.

Q. And you have included her in your return as a dependent? A. Yes, I did.

Q. She lived with the group?

A. Yes, she did, in this project.

(Testimony of Peggy Lou Riker.)

Q. In that project? A. Yes. [77]

Q. And all the bills were paid out of this revolving fund? A. Yes, they were.

Q. Did you take care of the disbursement of those funds? A. Yes, I did.

Q. And you accounted to the Elected Delegates Committee?

A. Yes, I did. Everything had receipts to show for the expenditures.

Q. And that was after 1948 that the sale was actually made of the physical assets of the business of "Your Food Fountain," wasn't it?

A. Yes. I don't remember the exact date, though, whether that was the first of 1949 or whether it was the last of 1948.

Q. Now, who received the sale price of that property?

A. Everything that came from the transaction of that sale was deposited to the Elected Delegates Committee.

Q. Now, Mrs. Riker, would you describe to the Court what this project was at "Your Foods Fountain" from September of 1947 to January of 1948?

A. It was a student ministers' training project for the purpose of demonstrating our teachings, Christian teachings that were—our interpretation of Christ Jesus' teachings.

Q. How many other members of the church group were with [78] you in that project?

A. How many during that period?

(Testimony of Peggy Lou Riker.)

Q. How many others were there as "Your Foods Fountain"?

A. Well, during this period there was a different number. At the time the partnership started, why, naturally there were only a few left on the project, but during the period preceding the partnership there were at least 12 persons there demonstrating Christianity.

Q. Were any of them paid any salary or income? A. No, they were not.

Q. Do you know how the budget was set, who determined the budget as to living expenses?

A. The church officials demonstrated that—determined that, and I really can't say just how they determined it, on what scale, whether it was the number of persons or how that was measured.

Q. It wasn't the committee that determined that, the Elected Delegates Committee? A. No.

Q. That was the church officials themselves?

A. Yes.

Mr. Crittenden: That is all.

Cross-Examination

By Mr. Mather:

Q. I show you, Mrs. Riker, Petitioner's Exhibit 6 which [79] is the income tax return for 1948, and direct your attention to the $8959.11 shown thereon. Was that income that you turned over to the church from the operation of your own business?

A. It was the income turned over to the church

(Testimony of Peggy Lou Riker.)

from the operation of the student minister training project.

Q. Well——

A. Operated under my name.

Q. It says "Taxpayer was employed by own business." What does that mean?

A. Well, that is because the license was in my name.

Q. I see. A. To operate the business.

Q. Now, what does the $8959 represent?

Mr. Crittenden: Did you say $88,000?

Mr. Mather: $8000.

A. $8,900. That represents all of the proceeds from the operation at that particular student minister project.

Q. Well, all of the proceeds from the operation of "Your Foods Fountain"?

A. There was some, I believe, added from all the income that came from the ranch, also.

Q. Well, you didn't run the ranch, did you?

A. I lived on the ranch and I was the project manager at the student minister training [80] project.

Q. Well, let's look at Exhibit No. 7, the partnership return, and that shows the distributive share of partnership income to the various partners, does it not? A. Yes, it does.

Q. And I understand that only your distributive share of that income was turned over to the church?

A. That is true.

Q. And then there are two other partnerships

(Testimony of Peggy Lou Riker.)

there for different periods, and the same is true with respect to the distributive share of those partnerships, is it not, that only your distributive share was turned over to the church? A. Yes.

Q. Now, the total of those don't make $8,900, but where does the balance come from? From the operation of the drug store prior to this time? The creation of the fountain?

A. No, but I will say that in checking over these returns that there is a mistake of $969.24 on it.

Q. Well, I——

A. Of reported funds that shows up very plainly here in "Labor." It was a very foolish mistake. I must have added the expense of labor, $969.24, to the gross income which made it that much over the actual income.

Q. Can you tell me where the difference between your distributive share of those various partnerships and $8959.11, which is shown as income from your own business, is made up [81] of?

A. It is the entire amount for the whole year that was deposited to the Elected Delegates Committee.

Q. Well, how was it operated prior to the time it was operated as a—prior to January 20, 1948, how was "Your Foods Fountain" operated?

A. It was the church's student ministers' training project. We were there to demonstrate Christ Jesus' teachings; therefore, we used the business as an example to demonstrate those teachings, and all

(Testimony of Peggy Lou Riker.)

of the proceeds therefrom were turned over to the Elected Delegates Committee.

Q. Was it operated by you as an individual?

A. I was a manager of it, but it was operated through the efforts of the student ministers on that project as a way of proving their ministry.

Q. Well, you are saying the same thing today with respect to the period from January 20 to April 30, 1948, aren't you?

A. No, that was the partnership, wasn't it?

Q. Yes.

A. That was a partnership. No.

Q. Well, how was that operated?

A. Those are not student ministers, those partners were not student ministers.

Q. They were not? [82]

A. No, they were not. I was the only student minister in the operation of the business at that time. The reason for that was because of the contemplated sale of the business, and at the time that we had an opportunity to sell the business, we found that the title was not clear. So I was forced to hire, or take these people in on a partnership basis in order to operate until the sale could be made, and it was over an extended period of time that we certainly did not expect, and all of my proceeds went to the Elected Delegates Committee in the same manner that the gross income had gone in as a student ministers training project.

Q. Did you execute documents similar to—simi-

(Testimony of Peggy Lou Riker.)

lar to Petitioner's Exhibit 8 with respect to that $8959.11?

A. Yes. Yes, everything that was released from the operation of that project went into the Elected Delegates Committee with a form like that.

Mr. Crittenden: Counsel, for your information, we have them all here.

Redirect Examination

By Mr. Crittenden:

Q. Could you give the total amount as indicated on the papers you have here for this period?

A. I don't know that I have the total. Would you like to see if I have the total in there? I have the releases. I think Mrs. Huff could give it to you easier than I could. [83]

Mrs. Huff: For 1948, Mr. Crittenden?

Mr. Crittenden: For 1948.

Mrs. Huff: I doubt if you could find it, Mr. Crittenden. Here it is.

Mr. Crittenden: It shows $11,404.

Q. (By Mr. Crittenden): Do you have that pad with you?

A. Do I have those in the brief case there? Yes. I have a total of $10,805.34. Now, I can't account for the difference in that figure unless it was—there might have been some in transit at that time or something that changed that figure to that amount. If you would like to have that total—— [84]

* * *

(Testimony of Peggy Lou Riker.)

Q. (By Mr. Crittenden): Now, Mrs. Riker, there is a discrepancy between this $11,000 and $14,000 as shown on your return. Can you explain to me the purpose so the Court can understand what the reason for that discrepancy is?

Mr. Mather: It isn't $14,000, it is only $8,000.

Mr. Crittenden: No, there is $14,000 shown on the return.

A. You are speaking of the gross and he is speaking of the net.

Q. (By Mr. Crittenden): I am speaking of the gross now, that is what you deposited with the Committee, wasn't it?

A. Yes, the gross amount.

Q. Total gross receipts. Did you have occasion to go over and check your books within the last couple of weeks for the purpose of appearing in this—— A. Yes, I did.

Q. ——hearing, and did you reconcile it with the records [85] of the Elected Delegates Committee at that time? A. Yes.

Q. And what did you find?

A. I found that I had reported $969.24 too much as gross receipts.

Q. And that is exactly the amount that is shown as "Wages," isn't it? A. Yes, it is.

Q. And was there any other mistake you found in your arithmetic at that time?

A. Yes. I found that three days of the period that should have been in this return was on one of the partnership returns.

(Testimony of Peggy Lou Riker.)

Q. And did you find any mistake as to expenses or operation costs?

A. Yes, I did, over $2,000. I had neglected to put down the material and supply expenses for the month after the partnership—prior to—or up to the closing or selling of the business. [86]

* * *

Filed: November 23, 1954, T.C.U.S.

[Title of Tax Court and Cause.]

Docket Nos. 46978, 45979

CERTIFICATE

I, Howard P. Locke, Clerk of the Tax Court of the United States, do hereby certify that the foregoing documents, 1 to 17, inclusive, constitute and are all of the original papers and proceedings on file in my office as called for by the "Designation of Contents of Record on Appeal," including Petitioners' exhibits 1 thru 12 admitted in evidence, in the proceedings before The Tax Court of the United States entitled: "Peggy Lou Riker, Petitioner, v. Commissioner of Internal Revenue, Respondent, Docket No. 46978" and "Freda H. Grassmee, Petitioner, v. Commissioner of Internal Revenue, Respondent, Docket No. 46979" and in which the Petitioners in The Tax Court proceedings have initiated an appeal as above-numbered and entitled,

together with a true copy of the docket entries in said Tax Court proceedings, as the same appear in the official docket book in my office.

In testimony whereof, I hereunto set my hand and affix the seal of The Tax Court of the United States, at Washington, in the District of Columbia, this 8th day of February, 1956.

[Seal] /s/ HOWARD P. LOCKE,
Clerk, The Tax Court of the United States.

[Endorsed]: No. 15072. United States Court of Appeals for the Ninth Circuit. Peggy Lou Riker and Freda H. Grassmee, Petitioners, vs. Commissioner of Internal Revenue, Respondent. Transcript of the Record. Petition to Review a Decision of the Tax Court of the United States.

Filed: March 12, 1956.

Docketed: March 20, 1956.

/s/ PAUL P. O'BRIEN,
Clerk of the United States Court of Appeals for the Ninth Circuit.

In the United States Court of Appeals for the Ninth Circuit

PEGGY LOU, and FREDA H. GRASSMEE,

Petitioners and Appellants,

vs.

COMMISSIONER OF INTERNAL REVENUE,

Respondent.

POINTS ON APPEAL

(1) Whether related income during 1948 of a Church from activities of student minister training and spreading of the Church's religious teachings, which activities produce revenue, and which revenue by the organic Church law must be used for religious purposes only, and are so used, disqualifies the organization from exemption under Int. Rev. Code Sec. 101 subdivision 6, or whether ultimate use for the exempt purpose is the test of the exemption.

(2) That Christ Church of the Golden Rule, and its principal temporal agency, the Elected Delegates Committee of the Ecclesiastical Society of Christ Church of the Golden Rule, are exempt organizations and gifts to them by the appellants in 1948 and 1949 are deductable under Sec. 23 (o) Internal Revenue Code of 1939 up to 15% of income.

(3) That appellant Grasmee is entitled to dependency exemption of her dependent Mother for 1948 and 1949.

(4) Whether appellant Riker is taxable for the income of a related religious activity of the religious apostolic group of which she was but a member and local official and which income was the product of the service of that group and of the property, fixtures and equipment bought and owned and later sold by the Church Committee.

(5) Whether appellant Riker as a member of an apostolic religious society with a common community treasury who files its return as such under Rev. Code 101 (18) and whose members file their tax return showing the distributive share, whether received or not, is taxable upon more than her distributive share.

(6) How a member of a religious apostolic society with a common community treasury which members and organization report the organization's income under Internal Rev. Code, Sec. 101, (18) are taxable, whether for the amounts received and remitted to the group or upon the proportional distributive share, whether received by the member or not.

(7) Whether appellant Riker is taxable for actual net income of her religious paid to her Church or for some $2,969 additional reported by mistake but not actually received by her or her Church.

April 10, 1956.

/s/ HOWARD B. CRITTENDEN, JR.,
Attorney for Appellants.

[Endorsed]: Filed April 11, 1956, U.S.C.A.